

Civil Servants set on pay action

Leaders of the two biggest Civil Service unions claimed yesterday that the breakdown of pay talks with the Treasury had made their members even more determined to pursue their campaign of industrial action in support of a £20 a week or 15 per cent pay rise.

Yesterday Department of Health and Social Security and unemployment benefit offices throughout Scotland, north-east England and Northern Ireland were closed.

Ferries 'unsafe'

Defects in safety procedures on two cross-Channel ferries were alleged on the BBC2 programme, *The Travel Show*, last night.

It was claimed that, among other faults on the Townsend Thoresen ferry, *Free Enterprise V*, no safety certificate was displayed and an emergency exit was marked "No entry to passengers".

Among the faults found on a ferry, the Versailles, owned and operated by the French railways, were an emergency exit from the bar marked "Emergency exit" on both sides.

Drugs battle

International co-operation in the battle against drugs was a necessary not a luxury, Mr Douglas Hogg, Under Secretary of State for the Home Office, told the International Conference on Drug Abuse in Vienna yesterday.

Britain, he said, had taken the lead in passing legislation to enable drug traffickers' assets to be confiscated.

"The UK is fully committed towards working for a rapid completion of a convention which could be ratified by the largest possible number of governments", he said.

Aids death toll

An estimated 24 people died in May after contracting Aids and 41 new cases were diagnosed, according to the latest figures released by the Department of Health and Social Security. This brings the total number of known Aids cases in the United Kingdom up to 791, of whom 444 have died since figures were first collected in 1982.

Brink's trial

Seven people, including the former wife of a man convicted of the Brink's Mat robbery, were sent for trial by Lambeth magistrates yesterday accused of conspiring to handle proceeds of the raid.

They are Jacqueline McAvooy, 33, who divorced Michael McAvooy after he was sentenced to 25 years; Michael Repton, 49, a solicitor; Brian Perry, 48, a company director; Michael Osborn, 44, a car dealer; John Ecombe, 39, and his wife, Anne, 38, and Stephen Donovan, 34, a property dealer.

Terrorism telephone

The Royal Ulster Constabulary is expanding its confidential telephone system to combat terrorism. Five new numbers have been added and a further two are planned to a system introduced 15 years ago.

Last year there were more than 2,000 calls on lines outside Belfast compared with 800 in 1985. An estimated 10 per cent contain information about terrorism.

Rescuer's medal

A woman who beat off a knife attack and attempted robbery was presented yesterday with one of the highest civilian awards for bravery.

Mrs Janet Ambler of Farnfield Court, Mansfield, Nottinghamshire, who was herself threatened at knifepoint when she went to help the victim, a woman aged 94, received the Provincial Police Award Gold Medal.

Poodles trapped

Firemen who answered an emergency 999 call found dozens of neglected, starving and dead poodles trapped in a house in Lingfield, Surrey.

More than 30 of the poodles were still alive in the house in Station Road, but about a dozen others had died. Miss Dorothy Clifford, aged 62, their owner, denied she had starved or neglected the dogs.

Hospital priorities wrong, warns health chief

The policy introduced in the mid-1970s meant that most regional health authorities asked their districts to contribute half a per cent or even one per cent of their annual budget to a regional pool for these "Cinderella" services.

Nearly 100 British nurses snatched up glossy brochures at the international Nursing Job Fair in London yesterday as hundreds searched for life after the National Health Service in the glittering private hospitals of America.

Mr Taylor's argument, which brings into question the current policy of providing community care for the elderly and the mentally ill, underlines the increasing burden now being felt by teaching districts faced with treating more patients.

Vote reform is Kinnock's key weapon against left

Mr Neil Kinnock's determination to swing the Labour Party behind a policy of one member, one vote, in the selection and reselection of Labour candidates is a key part of his new struggle to control the far left.

At present, Labour candidates are selected, and Labour MPs re-elected, between 18 and 36 months after each general election, by the general committees of constituency parties.

Normally these should contain around 100 delegates elected by local wards, trade union branches and socialist societies. But the average number of people who took part in the first 206 reselections and deselections in 1984 was just 37.

Labour's mass membership has crumbled over the years and small groups of activists, including members of the Militant Tendency, have been able to take control of constituency general committees, especially in inner city areas.

They were able to choose far left candidates who were unrepresentative.

MPs have been well aware what would happen if they did not toe the line. Although only a handful of Labour MPs were actually deselected in the last Parliament, the higher than average retirement list among Labour MPs before the 1987 election indicated that a number had chosen to get out.

MPs will not be curbed

A committee of MPs has upheld the unequalled right of their colleagues to let off steam through Commons early day motions, now costing around £500,000 a year.

Regardless of content, they have to be printed in the Commons Order Paper, reprinted each time another MP signs or amends them, and collated into a weekly index.

Last year a record 1,262 such motions were tabled.



The building society robber captured on this still from a security camera video escaped with a bag stuffed with £2,500.

Police wish to question Mr Malcolm Fox, aged 39, who disappeared from his home when a series of raids on building societies began more than two months ago.

He always waits until the building society is empty of customers before walking in and threatening a cashier with a gun.

Mr Fox, who had disappeared from his home in Fishponds, Bristol is believed to be driving a white Ford Escort with the registration number C962 KON.

Falklands troops cut Sovereignty talks ruled out

The decision to cut the number of infantry troops guarding the Falkland Islands airport at Mount Pleasant to about 200 will not be matched by new diplomatic moves to end the sovereignty dispute with Argentina, Foreign Office sources said yesterday.

The decision by the Ministry of Defence will bring the number of servicemen based in the South Atlantic to about 2,000.

It will take place next month when a reinforced company of about 200 men from the 1st Battalion Devon and Dorset Regiment will replace a full battalion of about 600 men from the 2nd Battalion Royal Irish Rangers.

After the completion of the all-weather Mount Pleasant airport in the spring and the transfer of all servicemen to accommodation at the air base, a final assessment of the threat posed from the mainland was carried out before it was agreed to cut the infantry by about 400.

The main focus of the defence of the islands rests with the four Phantom aircraft, Rapier air defence missiles around the airport and the Royal Navy presence. The Navy is believed to have one frigate and one submarine.

with Argentina on the future of the islands.

But Foreign Office sources said that there were no moves to reopen talks with Argentina. Previous attempts have broken down because of Argentine insistence that sovereignty should be on the agenda.

In assessing the defence requirements of the Falklands after the opening of the Mount Pleasant airport the Ministry of Defence considered three options:

- To maintain a large military strength in excess of 3,000 servicemen and a sizeable naval capability.
- To maintain "sufficient" forces from all three services to keep the airport in operation if there was a pre-emptive strike by Argentina until reinforcements arrived from the UK.
- To have a "care and maintenance" force of only about 100 men to look after the vital equipment and stores.

The second option was chosen.

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Judicial advisory board vetoed

By Frances Gibb Legal Affairs Correspondent

Lord Lane, Lord Chief Justice, has vetoed the idea of a judicial complaints board to advise the Lord Chancellor on the sacking of judges.

The idea had the backing of the former Lord Chancellor, Lord Hailsham of St Marylebone, who had been worried for some time that in dismissing circuit judges he was "both judge and jury".

The problem arose last year with Judge Pickles, the Northern circuit judge who kept breaching judicial protocol by airing his views in public.

In particular, Judge Pickles attacked the present system of judicial appointments and the Lord Chancellor's "all powerful" role.

One factor behind Lord Lane's decision is thought to be his belief that two or three judges sitting on any complaints board would be in an exposed and invidious position, with their advice being open to formal challenge.

The Lord Chancellor's power to remove a circuit judge from office on the grounds of incapacity or misbehaviour, is rarely used. In the last 10 years only one judge has been sacked: Judge Bruce Campbell, who was convicted of smuggling.

In the case of High Court judges or more senior figures, an address of both houses of Parliament is required for their dismissal.

Lord Hailsham, who had already threatened Judge Pickles with dismissal, resisted pressure from senior judges to carry out that threat.

There was a strong likelihood that Judge Pickles would challenge any such dismissal in the courts under "judicial review" proceedings.

Mr Peter Scott, QC, the chairman of the Bar, has expressed concern about the way judges are appointed and there is support within the Bar for a reform to the system along the lines of an advisory body to the Lord Chancellor.

New legal aid board 'must be independent'

The new board administering the legal aid scheme must ensure its independence or risk claims of political bias, the Law Society said yesterday.

Mr John Wickerson, President of the society, the solicitors' governing body, said he was seeking an urgent meeting with the Lord Chancellor, Sir Michael Havers.

Members at yesterday's Law Society Council meeting were concerned that the society, with other professional bodies, should have the right to nominate people.

The society said after the meeting: "If the Lord Chancellor's department can pick and choose a whole bunch of 'yes' men, the board won't be independent."

Maternity support plan upsets Tories

Paternity leave has been abolished by Labour-controlled London borough of Lambeth. Instead, a fortnight's paid leave will be given to any employee nominated by a pregnant woman.

A friend, relative or even a father out of the 10,000-strong workforce will qualify for the "maternity support leave" if the mother-to-be decides that person is needed to help.

The Tory opposition branded the step yesterday as a sop to town hall unions and "another attempt by the hard left to jump on the public gravy train."

Under the previous scheme only fathers were eligible for paternity leave, but the council decided that as more than a third of mothers in Lambeth

Magistrate's plea on foreign labour

A London magistrate called yesterday for a relaxation of the immigration laws to allow foreign workers to take Britain's "unwanted" low-paid jobs.

"It is very difficult to see what public mischief is being done when people come from another country and take employment at competitive wages, work which nobody else wants," Sir Bryan Roberts, stipendiary magistrate at Horseferry Road court said.

"If you look at newspapers like the evening *Standard* you will see adverts for hotel and catering staff, because we don't have enough local people to fill these jobs."

Sir Brian said he would be interested to hear clarification of the Home Office policies on banning employment for overseas visitors.

"I think the immigration laws should be more discretionary."

The magistrate was hearing the case of a young Brazilian who took a £50 a week cleaning job at the Kensington International Hotel after finding that the US-\$2,000 he brought into Britain was dwindling fast.

Luiz Pissani, aged 26, of Andalus Road, Stockwell, started the job a week after arriving in Britain last month to study English. He admitted breaking a condition of his visa by working.

Pissani was given a year's conditional discharge.

Dealer 'did not know' rockets were in parcel

A dealer in military souvenirs said yesterday that he had no idea that a package he dispatched to Glasgow by Red Star parcels on behalf of a colleague contained stolen anti-tank rockets.

Peter Kabluczenko, aged 39, of Floridy-Felin, Treuddyn Mill, Mold, North Wales, said he agreed to send a parcel via British Rail as a favour, thinking it contained flares.

He admitted at Bristol Crown Court that he used a false name, P Collins Ltd, and a false Liverpool address, and falsely described the parcel contents as combat jackets when he handed the package in to Liverpool Red Star parcels office.

He said he did not think British Rail would accept the consignment if they knew it contained flares.

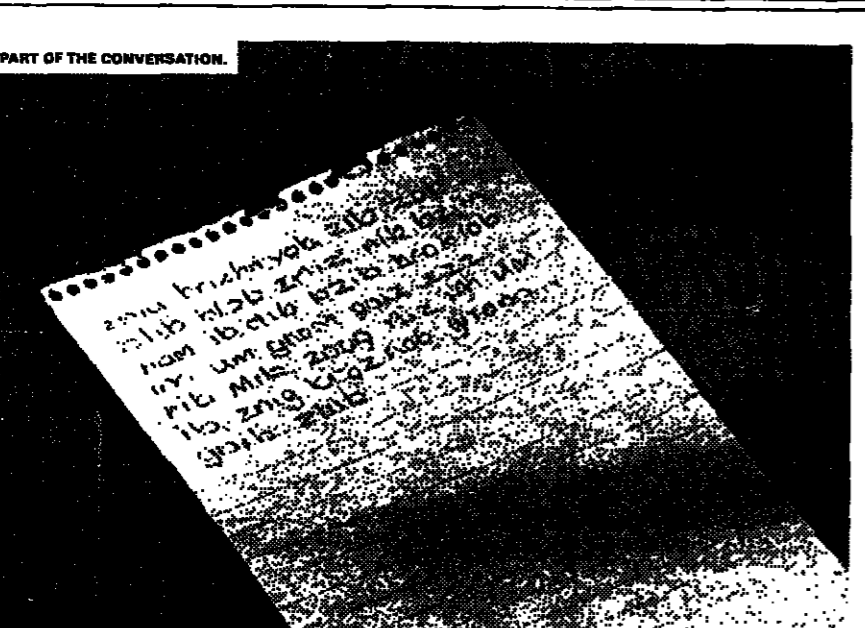
He used the name Collins in business transactions because it was less complicated than his real name.

He told the court: "I definitely didn't know what was in the boxes until they were opened by the police."

In court he agreed that after the first parcel was sent in April he telephoned British Rail from holiday in Spain because he knew it had not arrived.

Earlier Michael Miles, of Newchurch, Isle of Wight, a former foreign legionnaire, told the court that a man called Paul Barker had offered him the rockets for sale for £150 each.

Mr Kabluczenko denies handling and possessing the rockets and receiving Army cooking stoves and fuel. The case continues.



DECORATOR SPEAKS TO THE STARS

A phone box in Ladbroke Grove, West London has become locked into an interstellar communication network.

According to local residents, the box, outside the Kensington Arms, has a direct line to aliens from the star system of Alpha Centauri.

Alan Wades, a painter and decorator, said that when he tried to phone his mum, all he got was a series of strange alien messages. "They were definitely trying to tell me something, but the only word I could understand was Mooshead."

Local engineers remained sceptical but were unable to explain why ANYONE WOULD INVENT A BEER THAT'S BREWED AS AN ALE GOES DOWN LIKE A LAGER AND COMES FROM CANADA.



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Managers are given ten commandments to fight Japanese

By John Spicer

Company managers from directors down are being urged to consider a set of "ten commandments" to help them fight their Japanese and other Asian competitors for world markets on more equal terms.

Among the new rules are: renounce at least half their holiday entitlement; be at the workplace from at least 8am until 6pm; work at least half a day on Saturday; take only half an hour or 45 minutes (maximum) for lunch.

The appeal was made in London to 600 company personnel managers from all over Europe by an expert on Japanese and Western working practices. He urged them to go back to their bosses and persuade them of the need for a radical new look at work ethics.

Dr Jean-Pierre Lehmann, former head of Japanese studies at Stirling University and a visiting professor at a number of Japanese universities, said that while Asians and Japanese in particular were absorbing the American cultural influence, from Kentucky Fried Chicken to Dallas, there was a big difference between the appearance of such in-

fluence and the substance of its impact.

Their underlying ethic was still close to the Victorian, with family values, education and hard work high priorities. Dr Lehmann compared this with European social driving forces. In Europe, he said, not just a welfare state had been created but a "welfare mentality".

He said that in the last 20 years education in Europe had seen a rapid drive towards the lowest possible common denominator of literacy and numeracy. This had exacerbated the biggest problem, not unemployment, but unemployability. Many of the products coming out of Europe's education establishments were, quite simply, unemployable.

After delivering his "ten commandments", Dr Lehmann said that restoring the work ethic would reverse the trend of a rapidly declining level of technological innovation and productivity.

He said if the work ethic was restored everyone would be more competitive to face the Pacific challenge. It would create wealth, both in material and spiritual terms and, he

was convinced, would make people happier.

But last night Dr Lehmann's views came in for criticism from British business organizations. Sir John Hoskyns, director general of the Institute of Directors, said: "If only the secret of success was that simple. Businessmen have to be judged by results, not just by the hours they work".

Mr John Cahill, senior policy adviser to the Confederation of British Industry, said many managers already work very long hours. He said: "It's not just the hours, it's the effectiveness of the work within those hours. There has to be a balance between performance and reward; and time off is part of the reward. "Japanese working hours are almost obscene in some areas. Pressure from their peers forces them to get in at the crack of dawn and often work a six-day week."

The Industrial Society said executives in any company had to be fit and needed time off and holidays to recharge their batteries. Over recent years everyone has learned to use time at work much more effectively, and that is what is most important.

Firms need more than efficiency

Successful companies and organizations in the public sector have learned that organizational efficiency is no longer the only key to the future.

Turning outwards to face an increasingly turbulent environment, they have developed strategies based on quality, innovation and responsiveness to their customers.

This view was put to the European Association for Personnel Management conference in a paper dealing with business strategy and "the people contribution".

Mr Chris Hayes and Mr Nickie Fonda, of the Prospect Centre, an organization dealing with manpower development issues, argued that a change of outlook, from a pre-occupation with the operational to the strategic, had also to take place.

Operational personnel and training policies, at their best, focused on maintaining and improving the human side of

the organization, they said. Some of their hallmarks were careful selection, good training schemes for new entrants, training to improve job performance, manpower planning, preparation for promotion and succession, stable industrial relations and retirement programmes.

Two French experts on personnel and social relations said the new phenomenon of the speed and variety of technological change going on today should be seen as challenges to be met and dealt with. No-one could turn their backs, they said.

The whole idea of the company and the office was changing. We were now seeing paper-free offices, carpeted factories run by robots, humans replaced by machines. A new relationship between man and machine was being created. New professions were coming into being and companies had to change their organization to accommodate them.

Share deal problems revealed

The problems faced by the Wellcome Foundation when it decided to float the company on the Stock Exchange last year and make instant shareholders of employees in 22 countries, were described by the group's employee relations manager yesterday.

Mr Neville Machin told 600 delegates attending the European Association for Personnel Management in London that they would need an honours degree in hindsight if they ever get involved in a similar exercise.

Wellcome, founded in 1936, has a turnover in excess of £1 billion a year and 18,000 employees worldwide, mostly in pharmaceuticals. Members of staff applied for 17.9 million shares (10 per cent of the sale offer).

Mr Machin said 12 firms of advisers were involved. At one stage 4,500 kilos of documents were moving around the world.

Manhunt after rape of girl, 5

By David Sapsted

Police hope to piece together a description today of the man who enticed a girl aged five away from a school playground in Portsmouth and raped her during a "horrendous" two-hour sexual ordeal.

House-to-house inquiries on the Buckland estate were launched by Hampshire police yesterday.

The girl had been lured from the crowded playground at Charles Dickens First School at lunchtime on Tuesday and was taken to a house or flat near by where she was raped.

Details of her ordeal started to emerge on Wednesday. Last night police were hoping that the girl would be sufficiently recovered to be interviewed properly.

The girl had started school only a few weeks ago. She returned to her classroom after the ordeal but would only start to talk to her mother the next day.

She lives in an area which has seen earlier attacks by a man dubbed "the beast of Buckland."

Det Supt Roger Hoddinott, leading the hunt for the rapist, asked parents of children at the school to talk to them to see if they could provide any clues.

Constable says he lied about 'attack'

By David Cross

A police officer admitted yesterday that he had lied when he was questioned about an alleged attack by four of his colleagues on five schoolboys in a north London street.

PC Kevin Luxford, who was driving a police van on the night of the alleged attack nearly four years ago, told the Central Criminal Court that he and other officers had been questioned individually five days later at Highgate police station, north London.

On the way there it had been agreed that they would all stick together. "We were going to say we had not gone near George's Road. We all accepted that if one person said anything we would all be charged", he said.

PC Luxford said that he lied again in February 1985 when he and the other officers were

interviewed at Scotland Yard. He finally came forward in February last year. "It was affecting my private life and the publicity was reflecting very badly on the police, particularly as it was directed at a van that had not been concerned in any assault."

PCs Edward Main and Nicholas Wise, both aged 27, and Michael Gavin and Michael Parr, both aged 28, deny assault and causing actual bodily harm to Eric Ranger, then aged 14, his brother, Baltimore, then aged 16, Gary Foley, then aged 14, and Daniel Jenkins, then aged 16.

They also deny assaulting Dursan Nalbant, then aged 13, and together with Sergeant Colin Edwards, aged 34, deny conspiring to pervert the course of justice.

The case continues today.

'Beeching' for roads

By Rodney Cowton, Transport Correspondent

The possibility of cutting the network of rural roads, in the way in which Lord Beeching reduced the number of railway lines in the 1960s, was raised yesterday at a conference at the Institution of Civil Engineers in London, on the state of roads and bridges.

Mr Brian Oldridge, Director of Transportation, with Cambridgeshire County Coun-

cil, said the money for maintaining minor roads was only what was left over after the requirements of major roads had been met.

He said that many minor roads duplicated each other. Mr Peter Bottomley, Minister for Roads and Traffic, said the Government would not switch resources from motorways and trunk roads.

Archer returns to limelight

Mr Jeffrey Archer, who resigned as Tory party deputy chairman after a Sunday paper claimed that he had used an intermediary to pay a prostitute to go abroad, yesterday took his new career as a playwright a step further with a meeting to discuss the first production of his latest work, *Beyond Reasonable Doubt*.

Frank Finlay, who leads the cast of well-known names including Wendy Craig and Andrew Cocks, had no doubt that it would be a box-office success, when he and Mr Archer met to talk about the play.

It opens at the Palace Theatre in Manchester on August 31 for a brief provincial run before it is exposed to the merciless glare of the West End.

"Good plays only come up once every 10 years and as soon as I read this one I knew we had a winner. Every line jumps off the page straight at you", Mr Finlay said.

Mr Archer wrote the play in 12 weeks after his resignation, locked in the study at his family home at The Old Vicarage in Grantchester, near Cambridge.

Few doubt it will launch him on yet another phenomenally successful career when it opens in September.

The play centres around Sir Hugh Metcalfe, QC, a northern-born barrister, played by Frank Finlay.

He defends himself on a charge of murdering his wife, played by Wendy Craig.

Another lawyer, Alec Machin, QC, his sworn enemy and arch court rival, portrayed by Donald Pickering is determined to ensure that Andrew Cruickshank in judge's robes sentences his courtroom combatant to life imprisonment.

Oxford Blue sprinter, youngest Greater London councillor and Member of Parliament, failed businessman, near bankrupt and then best-selling author in 57 countries: is there nothing beyond the ability of Jeffrey Archer?

He thought for a minute and his face clouded. Literary and parliamentary fame paled into insignificance when compared to long nurtured dreams of becoming Somerset cricket club's leading batsman.

Girl teams up with surgeon who gave her life



Appealing for donors... Kirsty Vowles, aged five, with Professor Magdi Yacoub, who gave her a heart-lung transplant, in London yesterday.

Union victim describes campaign of abuse

By Tim Jones

The first intimation of the nightmare which befell Mr Tony McArdle began when, like thousands of other trade unionists, he refused to support the miners' strike because it had not been made official through a ballot.

In spite of daily pressure, he resisted the dictat of his branch committee of Sogat '82, the print union, and told it that he would make no contribution, as it had ordered, towards supporting Mr Arthur Scargill, the NUM president, in his dispute.

He was fined £100 twice by

his branch committee, but after lengthy legal proceedings it was agreed that the punishment was unlawful, as was the weekly levy in support of the NUM that it had ordered he should pay.

Mr McArdle was never forgiven for believing the miners should have been given the opportunity of deciding for themselves whether they wished to strike.

When print workers employed by News International went on strike and were dismissed, once again the Sogat branch committee at the Battersea, south London de-

pot of John Menzies, the newspaper distributor, where Mr McArdle worked as a driver, decided to impose a levy.

Once again, Mr McArdle refused his support, saying he would only pay if it was official union policy supported by the members. When eventually, the union's members were balloted on the question of a levy, they rejected it overwhelmingly.

But that did not help Mr McArdle, who was subjected to a campaign of threats, abuse and intimidation. Mr McArdle received a

death threat, his car tyres were slashed and the tachometer was ripped out of his lorry, while his wife suffered a nervous rash after receiving obscene telephone calls.

He eventually returned to work but was forced again to go home because of the intimidating atmosphere. With the aid of the Freedom Association, he is now seeking damages against the company for constructive dismissal.

In a letter of resignation to Mr J W Vaughan, labour and administration manager of John Menzies, Mr McArdle said: "You knew that my

position in the union was intolerable and yet you blamed me for resigning from that union. When you allowed me to return to work... you did so having done apparently nothing in the intervening period to ensure that I could work normally."

In a letter to the Freedom Association, Mr Vaughan said: "Mr McArdle took a unilateral decision to resign from the union in the knowledge of probable consequences and in breach of an agreement between the company and the union based on a closed shop."

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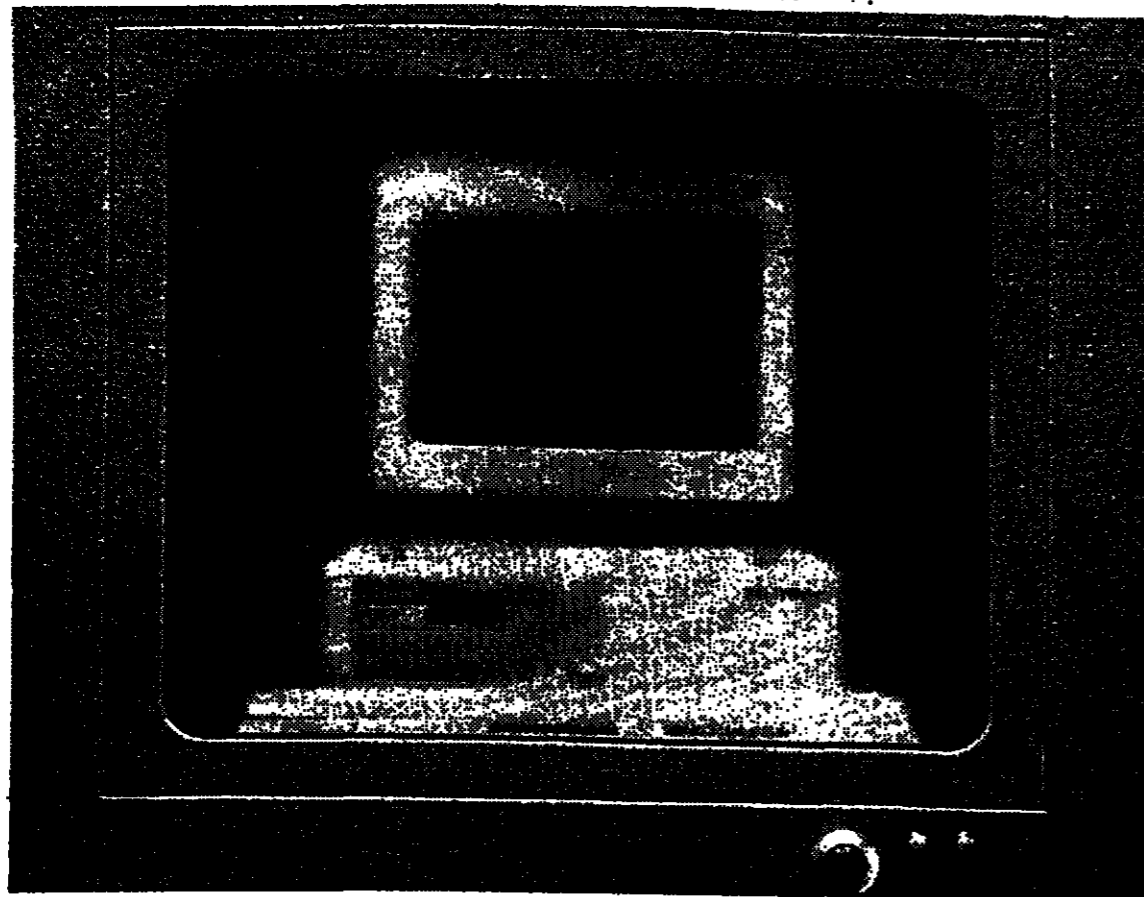
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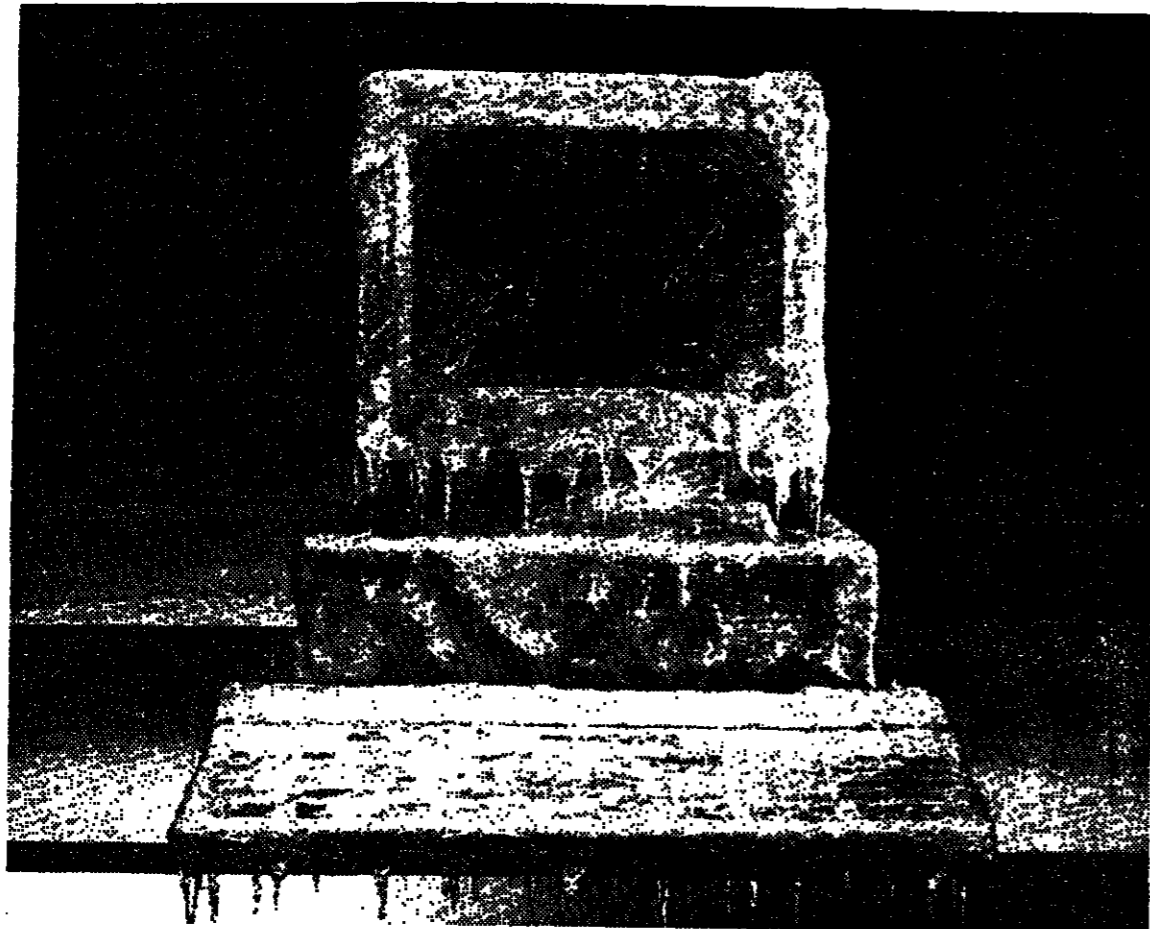
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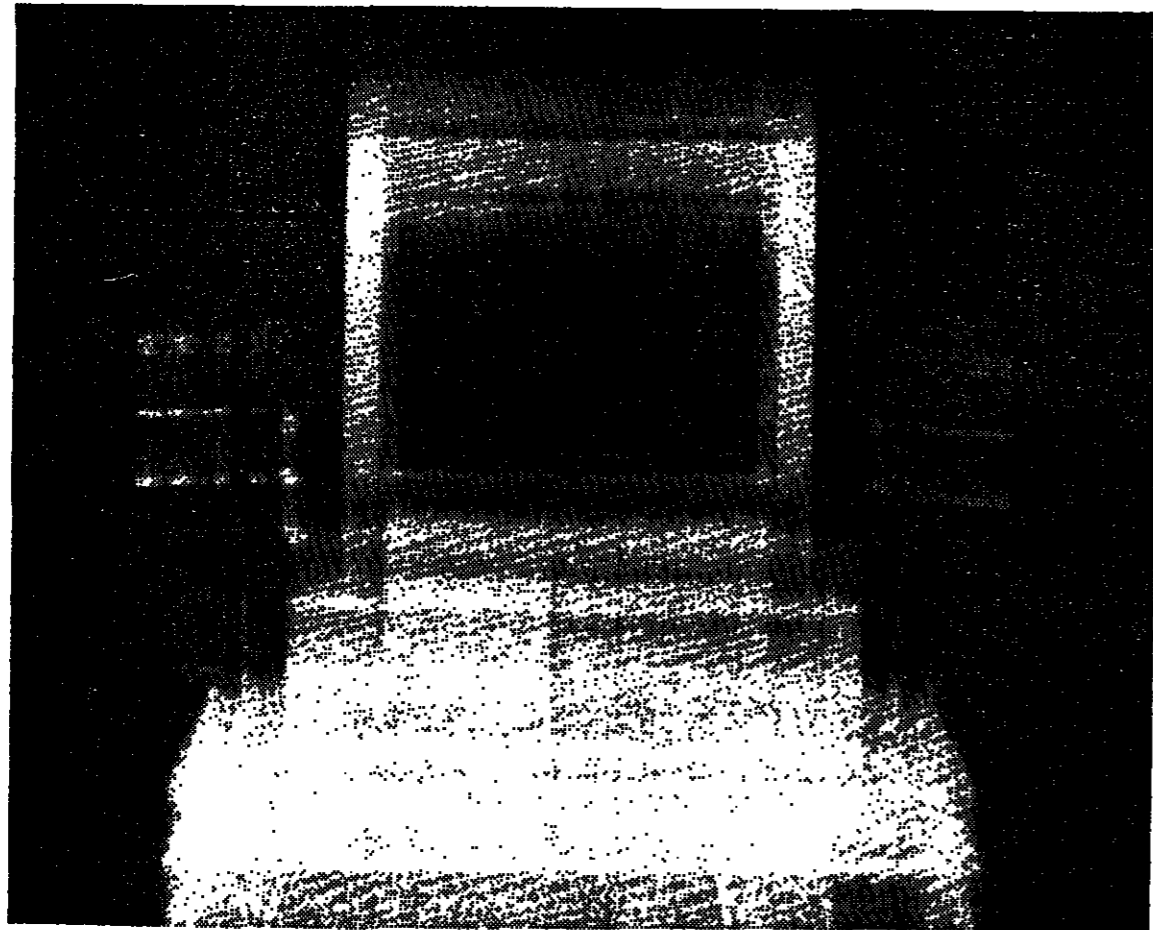
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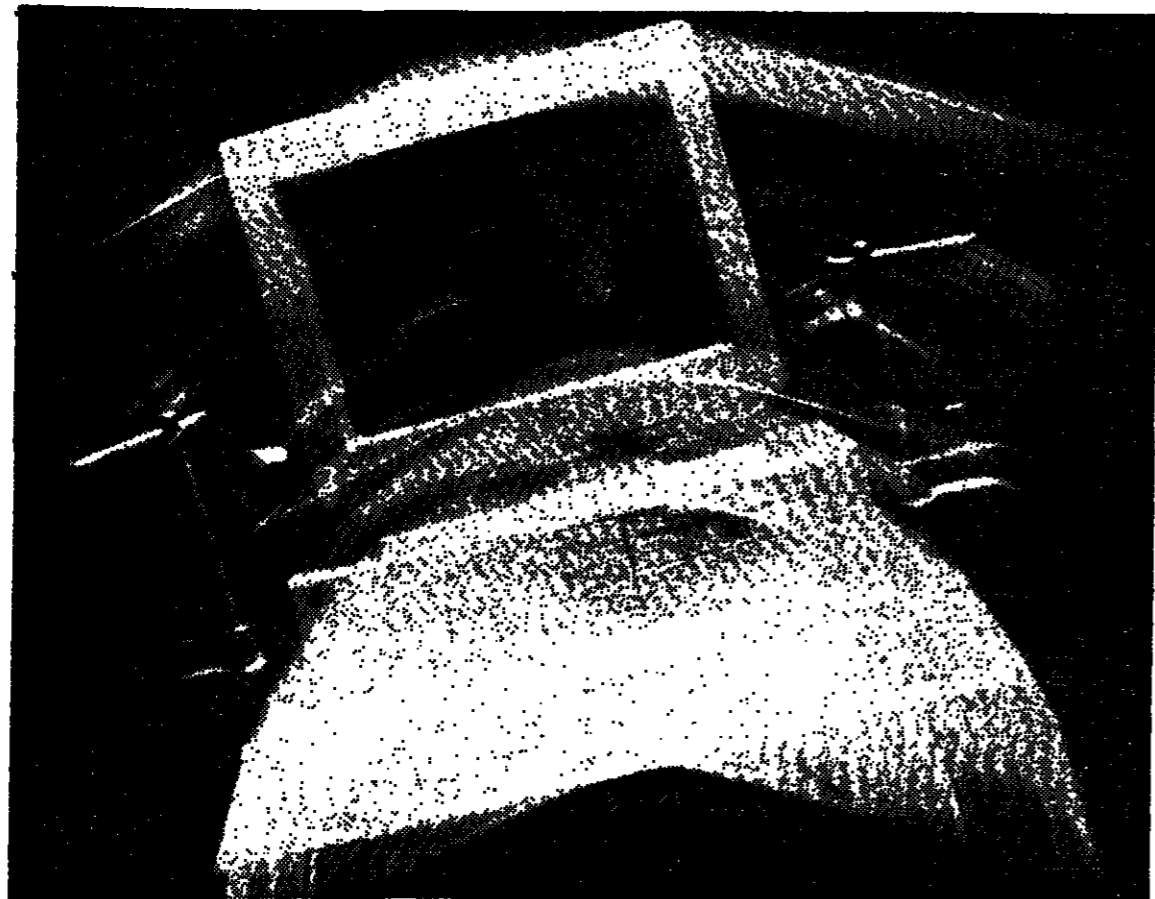
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COMMENTARY



Geoffrey Smith

Police seek review of 'antiquated' magistrates' courts

By Stewart Tendler, Crime Reporter

Magistrates' courts are run on a "totally antiquated system" and burden overstretched police, a senior police adviser told leading police officers yesterday.

Mr Charles McLachlan, former chief constable of Nottinghamshire and now inspector of constabulary for the south-east, made his criticism at the annual summer conference of the Association of Chief Police Officers in Blackpool.

He urged that the effect of the courts on police efficiency should be part of a new study of the police service being undertaken by the Audit Commission.

Mr McLachlan said a continual need to house prisoners in police cells instead of prison, the transport of prisoners to and from courts and the problems of the magistrates' courts themselves place burdens on police with quite considerable effect.

The police, local government and the crown courts had been reorganized, Mr McLachlan said, but the one area that has not been examined is the magistrates' court system.

Police were involved in the

processing of court actions and summonses but they faced a system which varied enormously across the country.

In one county one could find clerks in different courts all setting out separate ways of working. There could be a cluster of courts where one clerk used computers but another relied on a manual system.

The result was tremendous duplication of effort which placed a burden on the police.

The Association of Chief Police Officers has discussed the problem of the magistrates' court in the past. Yesterday Dr Ross Tristram, director of the Audit Commission's new scrutiny of the police, said the impact of court work could be part of the three-year study.

Mr Tony Stinchcombe, emergency planning officer for Cheshire, told the chief constables that many other public servants felt they had received substantial pay rises in recent years but failed to give value for what they received.

He told the policemen, due to receive a further pay rise of about 7 per cent later this year: "My personal reading of the public attitude towards their

police service is they are not getting value for money."

Mr Stinchcombe said: "I suspect public servants, especially perhaps nurses and some others who have to put with almost as much aggro as you do but whose wages have not increased anywhere near as much as yours in recent years, would challenge whether you give as much value for money as you could or should."

Mr Christopher Tipler, director of education for Northumberland, said police should put more resources into reaching out to children and save themselves many of the problems that come later.

Policemen should be better trained and Mr Tipler asked why the police did not talk to teachers and education officials before deciding who to choose to go into schools.

Mr Dennis Davis, chief fire officer of Cheshire, told the conference there were gaps in co-operation over fire investigation and forensic work.

All the emergency services used separate headquarters, radio channels and 999 switchboards. Mr Davis asked: "Are we really so parochial and jealous?"



A McLaughlin Buick, built for the Duke and Duchess of Windsor and now fully restored, (above) is expected to raise about £60,000 when it is auctioned at Sotheby's on Monday. The 1936 car is also shown (right) outside Verneuil l'Etang Station, 35 miles south-east of Paris, in 1937. The Duke is approaching the car prior to making the 160-mile journey to Chateau de Caude, near Tours, where he married Wallis Simpson. (Photograph: Alan Reeve)

Health inquiry will quiz GPs on use of sterile instruments

By Jill Sherman, Social Services Correspondent

Public health experts are planning checks to find out if doctors sterilize instruments properly to prevent the spread of Aids.

The Central Public Health Laboratory, which has set up its own Aids action co-ordinating committee, is launching a survey next month to investigate sterilization practices in GPs' surgeries.

The study apparently follows concern that not all family doctors sterilize their instruments even though some patients might be carriers of the HIV virus.

Yesterday officials stressed that the laboratory was not setting out to be alarmist. "The survey is not just to see if there is anything wrong but to see if we can help family doctors", said one official.

The study had been set up in response to people ringing up and asking for advice, he said. It is expected to cover a representative sample of GPs, and dentists may be included later.

News of the survey followed increasing controversy over whether doctors should be told if their patients are HIV positive.

On Wednesday the British Medical Association's GP conference rejected a motion which would have given fam-

ily doctors the right to be told in confidence if a patient was found to be HIV positive.

However yesterday at the annual meeting of the National Association of Health Authorities, the chairman, Mr Arthur Taylor, said the Government should be prepared to radically alter current practices governing confidentiality, testing and screening if the disease started to spread more rapidly.

At some stage the interest of the individual would be outweighed by the welfare of the general public, he said.

"Anyone who is HIV positive is a potential threat to someone else."

Mr Taylor said that it was up to the Government to decide about confidentiality rather than the British Medical Association.

He also proposed that if the disease accelerated, Aids should become a notifiable disease and screening for Aids should be introduced in hospitals when patients are admitted.

These proposals are contrary to advice from the Government's chief medical officer, Sir Donald Acheson, who has publicly opposed both routine screening and that Aids should be a notifiable disease.

Most prisoners on remand avoid jail

By Peter Evans, Home Affairs Correspondent

About 66 per cent of women and 46 per cent of men in custody on remand do not go to prison when they are finally sentenced in court, the National Association for the Care and Resettlement of Offenders (Nacro) said yesterday.

The association said that the prison population in England and Wales had reached 50,000 for the first time because of an increase in the number of males sentenced to more than 18 months and in the number of female prisoners. Remand prisoners now also made up more than 20 per cent of the prison population.

The number of women imprisoned more than doubled between 1975 to 1985, while 14.6 per cent of women

sent to jail in 1985 had no previous convictions, compared with 4.8 per cent of men. This suggested that women who appeared in court were more likely to be imprisoned than men and for more minor offences, Nacro said.

Nearly half the women in prison in 1985 committed theft, handling, fraud and forgery offences, compared with 22.6 per cent of men.

Nacro said: "Black women are the most over-represented group in the prison system. Seventeen per cent of the women in custody and 23 per cent of those on remand were from ethnic minorities, yet they account for only 5 per cent in the general population."

COMMENTARY



Geoffrey Smith

This is the lesson that needs to be absorbed by those who hope to succeed the present Government. It has done more to change this country than any administration since Attlee. Its latest election triumph has confirmed that its work cannot be dismissed as an aberration. The results show how much attitudes have been transformed in large parts of Britain.

Not everywhere, it is true. But whereas the North-South divide presents a social problem to the Government, it is a critical political warning to the opposition parties.

They cannot wrest control from the Conservatives without recovering a lot of ground in the Midlands and the South, and they will not do that without coming to terms with the Thatcher experience. That ought to be as important for the opposition parties in this Parliament as it was for Churchill to come to terms with the legacy of Attlee.

Consensus based on experience

If they fail to do so, they will either be inviting the electorate to march forward boldly into the 1990s or offering the prospect of endless upset. Neither approach would present much of a threat to a fourth Conservative victory unless the economy had turned sour.

It may be objected that an opposition which merely came to terms with the work of the incumbent would look too tame, that if the country wants Conservative policies it would prefer a Conservative government. But oppositions do not always need to provide a choice rather than an echo.

When one party has held office for many years, it can become tired or arrogant or simply too familiar to the voters. That can happen even when the general thrust of policy is still in keeping with the spirit of the times.

The electorate is then likely to be inclined towards a change of government provided that this does not mean turning the world upside down.

A wise opposition in Britain today would be considering how it could meet that need when the time came. This would not mean endorsing every item of Thatcherite policy, but reaching out towards a new consensus based upon the experience of these years.

But the only opposition leader who seems to be thinking at all along these lines is Dr David Owen, with his social market economy, and at the moment he appears to stand the least chance of getting the necessary political power.

"What the nation needs is several years of quiet, steady administration, if only to allow socialist legislation to reach its full fruition", Winston Churchill declared in his first major speech to the House of Commons after his return to power in 1951.

At first glance this may seem an extraordinary statement. Churchill was not usually noted either for quiet administration or for his protective care of socialist legislation. But his remarks contained a piece of enduring political wisdom, which is particularly relevant today.

He was indicating as clearly as he could that it was not his intention to reverse much of what the Attlee Labour Government had done in the previous six years. So the welfare state remained in place. Nearly all the nationalized industries stayed in public ownership, and the unions continued to receive the most respectful treatment.

It is fashionable nowadays to criticize this strategy as a timid introduction to the age of inflation. But it has to be judged in the context of its time.

Churchill knew that any successor to a strong, reforming government, which has brought about great changes in British life, cannot simply undo the work of its predecessor. That would cause too great an upheaval and would not have public approval.

Building on past accomplishments

This general principle applies whether such a pathfinding government is of the right or the left. The task of those who come after it is not just to overturn its accomplishments.

It is rather to accept them as part of the national experience, and then to build upon them so as to create a new national consensus. How well Churchill succeeded in that political task was shown by the 13 years that the Conservatives then spent in power.

A BUSY WEEK FOR SAMUEL MONTAGU...

Monday 8 June

United Newspaper's £250m bid for Exel became unconditional (equity and debt finance underwritten).
Signing of £150m MOF arranged for Mortgage Funding Corporation and £50m MOF launched for Mansfield Brewery.
Syndication closed for £500m Uncommitted Tender Panel Facility for Abbey National Building Society.

Tuesday 9 June

Application list on Tie Rack closed 84 times oversubscribed.
Rights and share issue underwritten for Western Motors' £13m acquisition of Penta.
Syndication commenced for Equiticorp's £60m facility to finance a 28% stake in Guinness Peat.

Wednesday 10 June

WPP bid \$460m for J. Walter Thompson - financed by £177m rights and \$260m debt package - and syndication commenced for £200m MOF for Bristol & West Building Society.

Thursday 11 June

Quiet day but busy night!
Midland Montagu treasury and gilts dealing rooms serve clients throughout General Election night.

Friday 12 June

£50m Sterling Eurobond issue launched for Amsterdam - Rotterdam Bank NV.

Saturday 13 June

Defence document posted on behalf of Mitchell Cotts, urging rejection of £74m offer.

...BUT THEN ALL OUR WEEKS ARE BUSY!

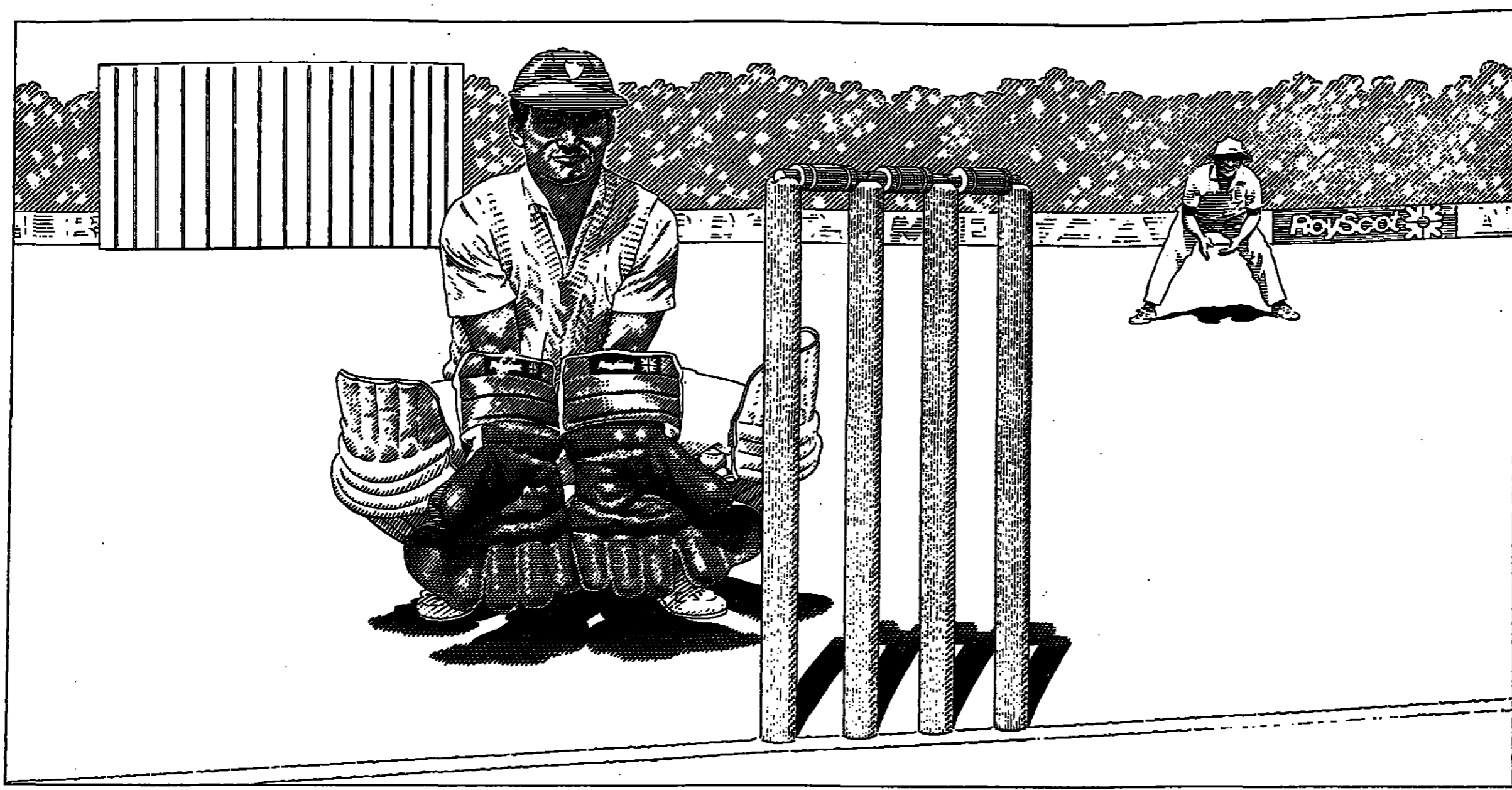
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Prisoner
talked into
suicide bid

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Britain urges world study of aircraft door danger

By Harvey Elliott, Air Correspondent

A worldwide study of aircraft emergency evacuation procedures which could lead to changes in the number and positioning of exit doors is being organized by Britain's Civil Aviation Authority.

It has already amended the rules governing the number of cabin staff which an aircraft must carry to ensure that passengers can be helped to get out in an emergency.

Now it has asked safety authorities in the US, France, West Germany and Holland to co-operate in a review of the lay-out of aircraft interiors, including the positioning of the galleys and other impediments to a speedy exit.

Concern has been growing among aviation safety organizations about the lack of internationally approved standards for interior cabin design and escape procedures.

The Federal Aviation Authority in America, for example, proposed a minimum distance between any seat and an emergency exit. Its call has been backed by others, including the British Guild of Air Pilots and Navigators.

Mr Ron Bridge, chairman of the guild's technical and air safety committee, said: "There is surely a limit to the distance anyone can crawl from his seat to an exit in the event of an emergency."

"It is about time a regulation setting down the minimum distance from any seat on an aircraft to an exit should be introduced. At the moment it is technically within the law for all the doors to be grouped in one small area."

Under existing rules there must be a pair of doors, stretching from floor to ceiling, for every 110 passengers, with emergency exits for every 35. There must be one cabin attendant per door.

But some modern aircraft,

such as the Boeing 767, have only two doors on each side fitted as standard enabling the aircraft to carry a total number of 220 passengers legally.

Yet airlines are carrying more than that and have fitted additional overwing exits to enable them to boost that number up to 290.

As only one attendant is needed per door it meant that they could have had only four on board. Now the CAA has ruled that they must carry one attendant for every 50 passengers.

The CAA is also opposed to a simple rule limiting the distance between any seat and an emergency exit. It believes that the problem is more complex and wants other authorities to join in a long-term study into the technicalities.

● Airlines battling for room at London's Gatwick airport are becoming increasingly vitriolic in their attacks on each other as they fight for the shrinking number of landing slots and passenger space.

British Island Airways became the latest to join the fray with an attack on British Caledonian which it described as having "poor profitability, over-structured management and an abysmal use of their existing resources."

Airlines using the single runway at Gatwick fear that soon there will be no further room to expand and that they will be unable to cope with the growing number of passengers wanting to travel from the airport.

British Caledonian expressed surprise at the outburst, claiming it had never suggested that BIA should move out. It said its poor performance of last year which resulted in a loss for the airline had largely been overcome.

The sky at noon through the Great Equatorial



A new access which for the first time allows the public to see the 28 inch Great Equatorial Telescope at the Old Royal Observatory, Greenwich, south-east Lon-

don, was officially opened yesterday by Mr Patrick Moore, the astronomer and presenter of television's *The Sky At Night*. The previous access was via a narrow elliptical

staircase. Mr Moore is seen looking through the telescope, the largest refractor in Britain, which dates from 1893. (Photograph: John Rogers).

Forger in Spanish home sale is jailed

An elderly couple who put their life savings into a retirement home in Spain had their dreams shattered soon after moving in. Southwark Crown Court in London was told yesterday.

They bought a penthouse apartment with a sea view near Valencia for £13,900, and spent another £7,000 in renovating the property.

But they were told they had been duped because the woman they had purchased the property from was not the owner, Mr Victor Temple, for the prosecution, told the court.

Judge Butler, QC, jailed Carolen-Anne Frampton, aged 44, of Crest Terrace, Highbury, north London, for six months.

Frampton admitted forging a power of attorney giving her the right to sell property which belonged to her estranged husband.

The court was told that the Spanish authorities will ask Mr Laurence Belcher, aged 73, and his wife Susan, aged 66, to vacate the apartment.

The Belchers sold their house in Bournemouth and purchased their retirement home through Asetur Properties UK, based in Kingston, Surrey, last July. Two weeks later the company told them they had been conned.

Prisoner talked into suicide bid

A prisoner persuaded a cellmate to attempt suicide after convincing him he was child molester. Knightsbridge Crown Court was told yesterday.

Colin Hill tried to hang himself in the cell he shared with Terence McGranaghan at Wormwood Scrubs Prison.

Miss Rosamund Keating, for the prosecution, told the court that McGranaghan, aged 25, developed a hatred for Hill, aged 38, who was serving 12 months for causing unnecessary suffering to his three children.

McGranaghan convinced him that suicide was his only option.

Hill survived and McGranaghan's role was disclosed when a warden found a letter in which he said he thought the "cripple was already brown bread" when he raised the alarm.

McGranaghan, of Newry, Northern Ireland, who has since been sentenced to four years for sexual attack on a woman aged 80, was sentenced to eight years after admitting aiding and abetting an attempted suicide, the term to run concurrently.

Anger over attacks on elderly

By David Cross

The Conservative opposition on left-wing Brent Council said yesterday that it was "horrified" that so little had been done so late to stop attacks by staff on elderly people in some council homes.

In a confidential report leaked earlier this week, Mr David Divine, social services director for the north-west London council, conceded that residents in some old people's homes could not be guaranteed safety from "physical and emotional abuse".

At Shepperton Court, which houses 35 elderly, two staff members had been dismissed and another resigned.

Mr Roger Stone, Conservative leader on the council, said that strong action had to be taken immediately.

Mr John Hammond, Liberal group leader on the council, has demanded a public inquiry.

The council said that an independent team was reviewing its old people's homes. It was going to contact relatives of residents and was involving the police.

Weekend food prices

Strawberries beat the rainy weather

The first of the main crop of English strawberries should be on sale this weekend despite the awful weather.

Regrettably, at 65p to 95p a half-pound, they will be more expensive than the imported berries, which cost from 50p to 75p a pound.

Supplies of fresh fish are good this week, but some varieties are more expensive.

Plaice at an average of £2.07 a pound is excellent.

Lemon sole is down 6p a pound to £2.36, but Dover sole at £4.09 is up about 11p on last week's price. Shoppers should look out for grey or witch sole, a lesser known but excellent flat fish.

Of the white fish, haddock from £1.20 to £2.50 is outstanding quality. Coley is down 4p to £1.07, and herring is also slightly cheaper at 73p a pound. There should be good supplies of hake, turbot, skate, John Dory, crab and fresh sardines. Pectled prawns are down 4p on average, but the range is wide from £2.40 to £7 a pound.

Home produced lamb prices are falling, and the average price of whole leg, loin and best end chops are down about 5p a pound. New Zealand lamb leg is £1.47 a lb, loin

chops £1.48, and whole shoulder 85p a pound.

Beef prices are stable, with the exception of fillet and sirloin steak, which may be up a penny or two a pound.

In the 1970s courgettes were a rare and expensive vegetable enjoyed only by those who ate at the best restaurants. Today they are available in every greengrocer's shop and market stall, and last year we ate an amazing 51 million lbs. This week home grown courgettes are in the shops, supplementing imports from Kenya, Egypt and the Continent at 45p to 75p a pound.

It is a joy to see so much produce from the gardens of England and although supplemented by imports, it is worth asking for the home grown. Cucumbers 35p to 40p each, spring onions 16p to 28p a pound, tomatoes 35p to 60p a pound, and iceberg lettuce 40p to 80p a head, are all best buys. Special offers this week include Presto: whole fresh Scottish salmon £2.75 a pound, salmon cutlets £3.59 a pound; Tesco: lamb chops £2.49 a pound, New Zealand lamb shoulder 69p a pound; Sainsbury: topside of beef £1.86 a pound; Safeway: New Zealand lamb best end joint £1.24 a pound.

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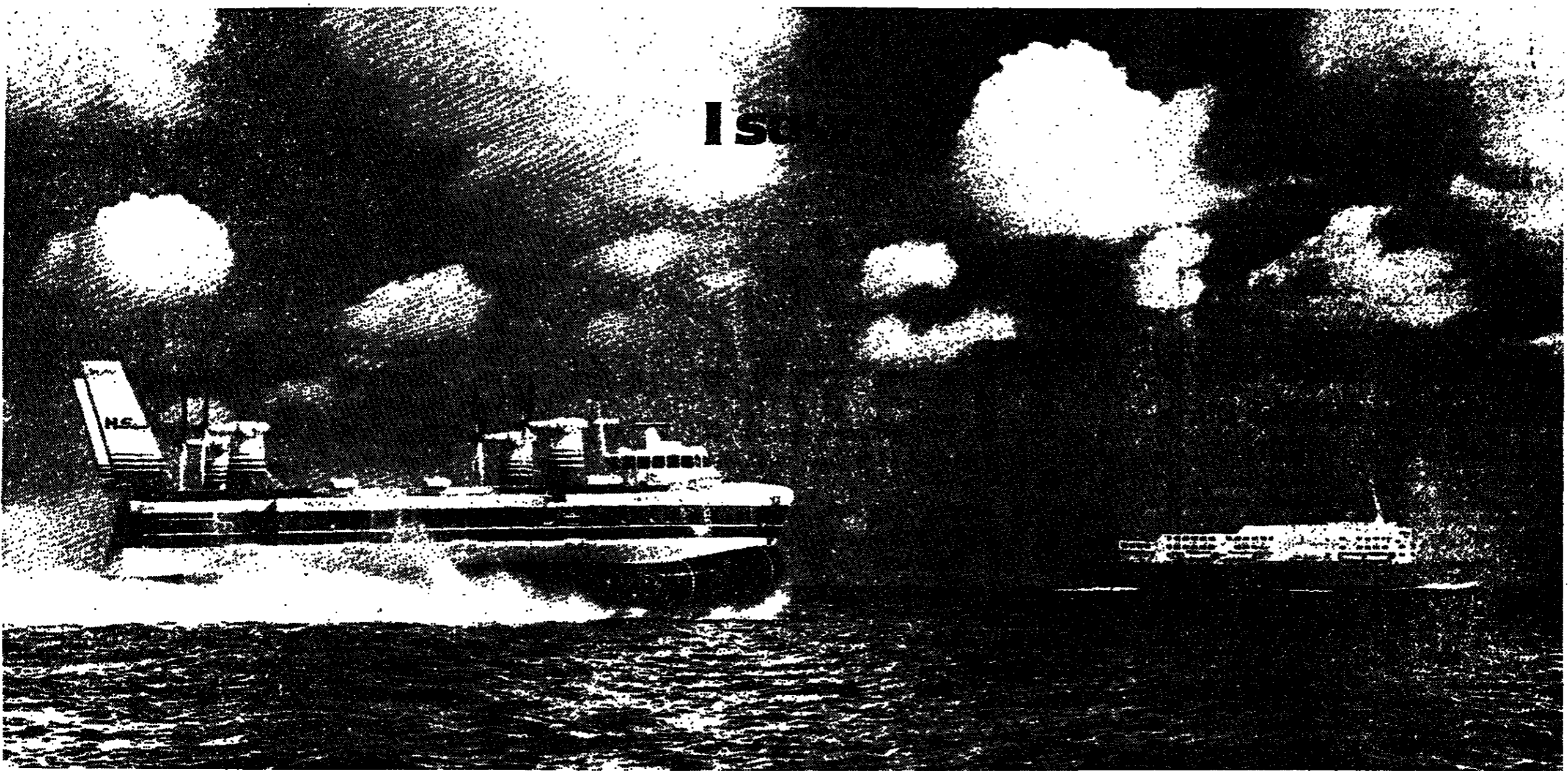
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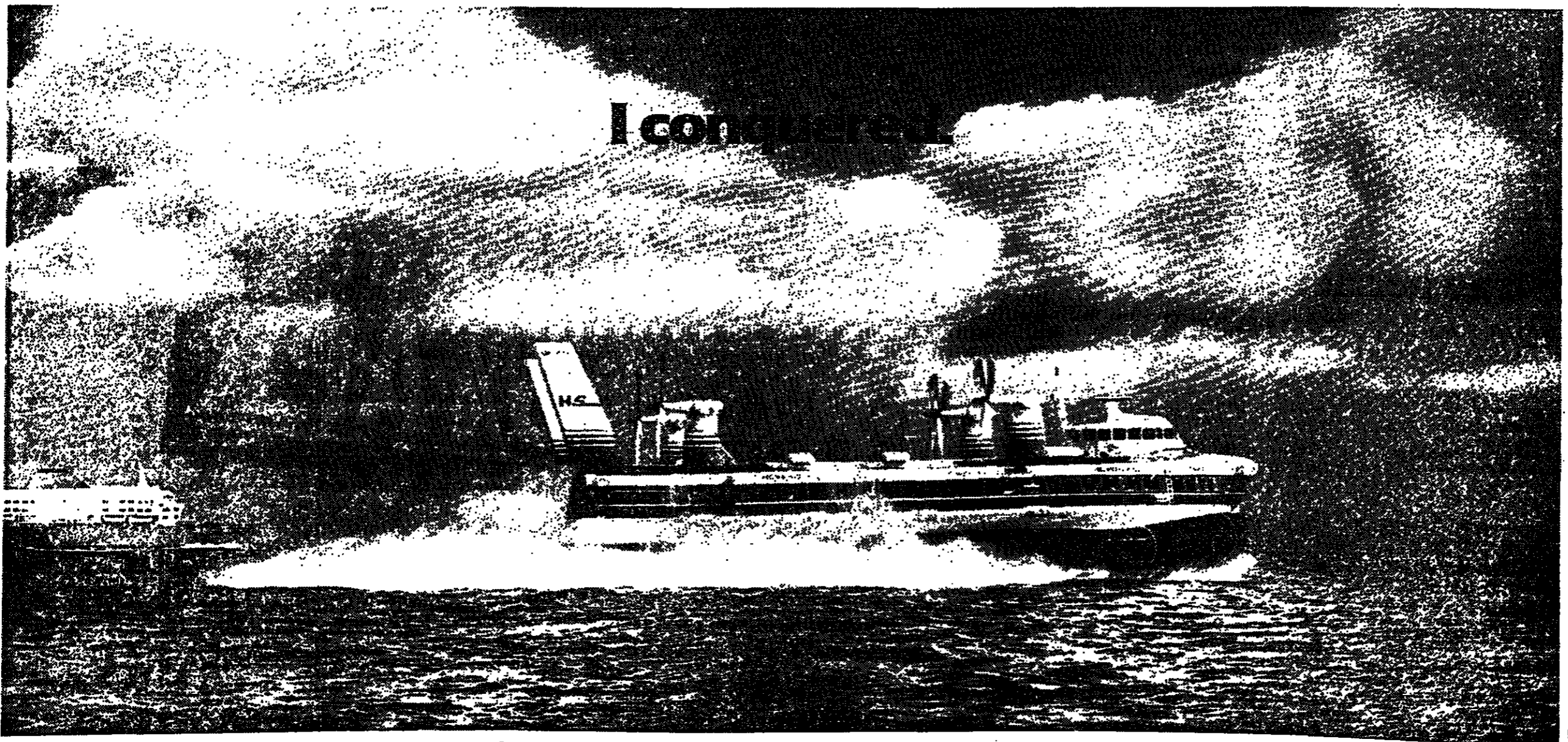
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Crisis in EEC deepens as ministers fail to agree farm price freeze

From Our Correspondent, Strasbourg

European Community agriculture ministers broke up at dawn yesterday after all-night negotiations failed to freeze farm prices and implement vital policy reforms.

Their failure to reach agreement threatens to deepen the Community's financial crisis, with farm spending set to overshoot the 1987 budget by more than £3.5 billion.

The breakdown, comes amid reports that the European Commission president, M Jacques Delors, and his Brussels team are considering mass resignation later this year if the Community's financial problems are not sorted out to the Commission's satisfaction.

The farm price talks foundered partly on a threat by Herr Ignatz Kiechle, the German Minister of Agriculture, to veto changes to the complicated system of agricultural exchange rates and the EEC cereals policy. He feared they would damage the interests of German farmers.

But the main stumbling block to an agricultural agreement was the controversial proposal for a £230-a-tonne consumption tax on fats and oils which would put up the price of margarine and cooking oils in the shops and could seriously damage trade relations with the United States

and Third World suppliers of vegetable oils.

The tax is scheduled to add £1.4 billion a year to the Community's coffers. But Britain, Germany and the Netherlands, the countries most adamantly opposed to the tax, have not proposed alternative sources of extra cash. Britain has called instead for extra savings on farm spending.

Mr Henning Christophersen, the EEC Budget Commissioner, this week claimed that without the fats and oils tax the Community would need to levy 1.9 per cent of value added tax next year.

Currently the 12 member nations are bound to pay over to Brussels a maximum 1.4 per cent of VAT, already recognized as inadequate.

M Delors has proposed a new system of funding the Community that would raise its resources by 50 per cent by 1992. He wants to collect the money from member states on the basis of their relative economic strength. Meanwhile, the Commission wants an extra £1 billion to cover part of this year's shortfall.

But Britain has warned there must be no new cash for the EEC until a reform of agriculture policy is agreed.

Instead, for 1987, Britain supports switching the Com-

munity's system of advance payments to member states for agricultural spending to a regime of reimbursements. This is recognized as an accounting trick that would take £2.8 billion out of this year's budget and charge it to next year.

But in Strasbourg yesterday the British stance received only partial backing from members of the European Parliament, which has considerable powers to hold up Community financial decisions.

The Parliament said the Community needed "special additional revenue for the 1987 budget in order to meet its commitments and avoid a new large budget deficit". But it warned against short-term measures that would simply place the burden on next year's budget.

Mr Peter Price, the European Conservative spokesman on the budget (London South-East), said: "The Parliament is in no mood to put up with creative accounting measures designed to delay the Community's day of reckoning."

Mr Price claimed the Parliament could delay acceptance of the extra cash for 1987 and block the 1988 budget, unless the agriculture policy is brought in line with economic realities.

Outgoing Nato chief warns of arms deal risks

From Michael Evans
Defence Correspondent
Brussels

General Bernard Rogers, the Supreme Allied Commander of Nato, has given his strongest warning yet that the last batch of medium-range missiles removed from Europe under an intermediate nuclear forces (INF) arms deal with the Russians must be linked to an agreement on conventional forces.

He also gave his full support to West Germany which, despite angry Soviet opposition, wants to keep its 72 Pershing 1A shorter-range missiles out of the treaty. These "third country" missiles could be modernized into longer-range Pershing 1Bs, General Rogers said.

In an interview with *The Times*, General Rogers, who is retiring next Thursday and handing over to his successor, General John Galvin, revealed his personal fears for the future. "I am a firm believer in arms reductions, because I think the future all of us want will be dependent on successful negotiations of those reductions. But the cardinal principle under which we operate at Shape (Supreme Headquarters, Allied Powers Europe) is: accept no agreement which impacts on the credibility of our deterrent."

"And the fact is that zero INF does reduce the credibility of our deterrent. There is no other way that it can be judged. I have been unhappy about it since it was suggested in 1981."

"I thought it was a magnificent political play in 1981, but it gave me gas pains militarily and it still does."

General Rogers said: "I just think that we have moved too damned fast without projecting forward what the consequences will be, and I think the United States has put too much pressure on the allies to get an agreement for agreement's sake. So, until it's signed, I feel free to speak out on what I think the consequences will be."

General Rogers, who has never failed to speak his mind during his eight years as Supreme Allied Commander, is also convinced that Nato should match the Soviet capability in shorter-range missiles by converting the Pershing 2 weapon system into Pershing 1B to be able to strike at Soviet targets in Poland, East Germany and Czechoslovakia. Under the present draft treaty, the Soviet shorter-range missiles would be eliminated, not matched by Nato. "That's why I was pleased that the Germans held off for the 72 Pershing 1A's," he said.

General Rogers warned that, if all the medium-range missiles were withdrawn, all that would be left would be maritime depth bombs "with a range of zero", a sizeable



General Bernard Rogers, Nato's retiring Supreme Allied Commander, in reflective mood. In an interview with *The Times*, General Rogers said any arms deal should be linked with agreement on conventional forces. (Photograph: Peter Trievnor)

number of 15 kilometre-range artillery-fired atomic projectiles, the Lance short-range missile with a range of 115 kilometres, and nuclear-capable aircraft "whose bombs would only go as far as the aircraft's range would permit and their capability to penetrate, despite Mathias Rust and his Cessna".

General Rogers said that once cruise and Pershing 2 had been removed under an arms control deal, it would be vital for Nato's dual capable aircraft to be given a longer range and greater capability to penetrate Soviet air defences.

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Clashes in Canadian postal strike

Ottawa - The selective strike by Canadian mail carriers turned ugly yesterday with clashes outside postal depots in St John's, Newfoundland, and Halifax, Nova Scotia (John Best writes).

In St John's, police were called in to escort replacement

workers across union picket lines after scuffles. Six strikers were arrested, including the president of the local union, and a lorry was damaged. In Halifax, a police riot squad escorted two busloads of replacement workers across picket lines.

There has also been scattered violence and a number of arrests in other cities across Canada as postal workers walk off their jobs over demands by Canada Post that the 15,000 letter carriers accept reduced job security and less generous working rules.

Poll blow to Gandhi in Haryana

From Kuldip Nayar
Delhi

The ruling Congress (I) Party of the Indian Prime Minister, Mr Rajiv Gandhi, has suffered another serious electoral setback by being routed in state elections in Haryana.

In what was Mr Gandhi's 10th straight defeat in state elections, the Opposition's combination of Lok Dal, a farmers' party, and the Bharatiya Janata Party (BJP), representing Hindu nationalism, has won a clear majority, taking 51 of the 67 seats declared so far. It is a 90-member house but elections in three constituencies have been deferred.

Mr Devi Lal of the Lok Dal will be the next Chief Minister, a position which was held by him in 1982 when Congress had reduced his majority by winning over his members to form the government. This was being cited as one of the reasons for the Congress party's defeat.

The wider reason, however, was the waning popularity of Mr Gandhi, who travelled through many constituencies to appeal to voters in the name of "India's stability".

For the first time, a state assembly election has been fought on national issues, mostly on the acts of omission and commission of Mr Gandhi's Government.

The old slogan of caste did not figure, nor the fact that Congress was a "protector of the lower strata". The Lok Dal and the BJP combination concentrated on the instances of corruption by Mr Gandhi's Government.

After losing the entire south, Congress has been beaten in a northern state which is part of the Hindi belt. This can be ominous for the ruling party, which for so long has depended on the Hindi-speaking states.

Tourists shot at in Malta

Valletta - Eleven people were injured when an unidentified gunman fired at a bus carrying Austrian tourists (Austin Sammut writes).

The bus was carrying 31 tourists, all from Salzburg, from the airport to a hotel. It was passing through an industrial area when it came under fire from an automatic weapon on Wednesday night.

Pilot's flight of friendship

Moscow (AP) - A 61-year-old retired teacher from New York State flew a single-engine plane into Moscow's Sheremetyevo airport on a "friendship flight" from the US. Mr Millard Harmon landed 41 hours and 31 minutes after leaving Washington.

Unlike Mathias Rust, the West German who landed in Red Square, Soviet authorities welcomed Mr Harmon.

Unicef arrest

Brussels (Reuters) - The director for Belgium of Unicef, Mr Jozef Verbeek, aged 63, was arrested and charged with indecency and incitement to debauchery against children.

Bombing claim

Barcelona (AP) - The so-called Red Army of Catalonia Liberation claimed responsibility for recent bombings of offices of the US firms, Hewlett-Packard and General Electric.

Jews protest

Moscow (AP) - A Jewish couple and a scientist seeking to emigrate staged a protest near the Kremlin, arguing with passers-by that they be allowed to leave.

Asylum plea

Athens (Reuters) - Seven Iranians and three Pakistanis crossed from Turkey into Greece and asked for asylum.

New Zealand budget 'surplus' questioned

From Richard Long, Wellington

Mr Roger Douglas, the Finance Minister, last night announced New Zealand's first budget surplus in 35 years when he tabled his new budget in Parliament.

The \$NZ379 million (£138 million) surplus, the first since the Korean War sent wool prices spiralling, was greeted with scepticism by opposition MPs.

They claimed the figure involved creative accounting and sleight of hand and argued it had no relevance to previous budget measurements because of the sale of shares in public assets and the privatization of state-owned trading enterprises.

Mr Douglas acknowledged that a more useful figure was the financial deficit as gauged by the Organization for Economic Co-operation and Development (OECD).

This showed a deficit of \$NZ1.2 billion (2.2 per cent of gross domestic product), well down on the 3.7 per cent last year and 6.6 per cent in 1983-84.

Mr Douglas intends to continue on his firm reformist path, making only the slightest election-year concessions in terms of fractional increases for superannuation, minimum family income and family support for the lower paid.

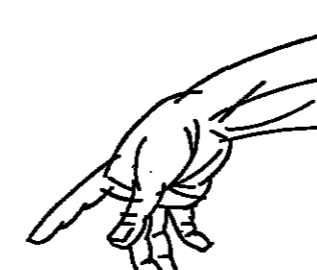
Mr Douglas foreshadowed the sale of shares in Air New Zealand, the state oil exploration company, Petrocorp, and the Development Finance Corporation.

In a clear warning to the Labour left, which opposes the sales, Mr Douglas said the only alternative would be massive cuts in health, education and welfare spending.

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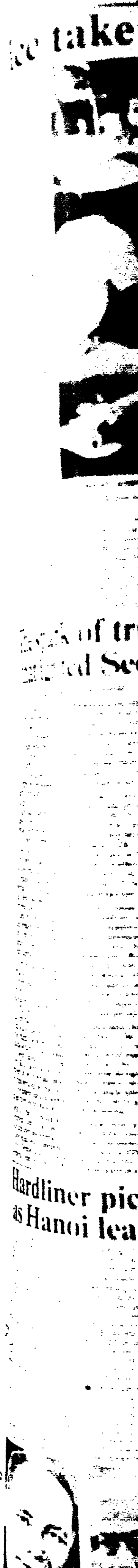
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Countrywide unrest marks ninth day of protests by students

Police take a beating in Korean violence

From David Watts
Seoul

Violent protests erupted from one end of South Korea to the other yesterday, involving tens of thousands of students and countless civilians in the ninth day of rioting.

Ten thousand rioted and hundreds of taxi drivers demonstrated in Pusan, where 300 students are occupying a Catholic centre for the fourth day. 6,000 in Kwangju, some 3,000 in Incheon, and more in Taejon, in violence that shows no sign of slackening. But yesterday Seoul saw the worst of the clashes as thousands of ordinary Koreans massed to help the students.

The Government, which has made no comment since its warning of a week ago, hinted yesterday at a new line that would "avoid emergency measures", according to early editions of today's newspapers in Seoul. The palliatives being considered include an offer of resumption of negotiations on possible revisions to the Constitution which President Chun had postponed until after the 1988 Olympics.

The newspapers quoted Mr Roh Tae Woo, who has been designated President Chun's successor, as saying: "From now on I will take the initiative in coping with political developments regarding the constitution matter." Whether such manoeuvres will have any real effect on the students remains to be seen.

More universities and colleges have closed early for the summer holidays, postponing indefinitely their final examinations with no noticeable effect on the level of dissent.

Students detect the weakness of the Government's position. They turned central Seoul into a battleground, with two great plumes of thick, black smoke rising over



Students armed with stones standing guard over riot policemen captured by protesters in Seoul during the opposition's "anti-tear gas day".

the Bank of Korea to mark the turmoil.

The students, now quite fearless and strengthened by the cheers and applause from the crowds, isolated two groups of 30 policemen. They beat them fiercely and threw their riot shields and tear gas on to a bonfire. Other riot police moved in to try to make a defensive shield, but in vain.

The terrified police struggled away, one clutching his head.

Stones, spent tear-gas canisters and the great white smears left by tear gas marred the tarmac in front of the neo-Gothic bank. Around the square men and women huddled against the walls, their eyes streaming from the gas. The women cried or screamed, one bleeding from her

ankle; the men roared with rage and frustration.

Traffic was paralysed for more than an hour around Seoul station where students made another pyre of police equipment. Oily smoke and tear gas wreathed the building and no trains moved.

The Opposition had declared yesterday "anti-tear gas day". The Government's re-

sponse was the heaviest barrage of shells Seoul has seen. It started in the afternoon as old women arrived to join the demonstration pleading for an end to the use of tear gas at a Seoul Presbyterian church. A phalanx of riot police pitched them off the premises.

T-shirts bearing the slogan "No more tear gas" in Korean sold fast, and on every bal-

cony of the 10-storey Christian Broadcasting Service building protesters and loud-speakers chanted "Down with the Constitution" or "No more tear gas".

A hundred yards away thousands of young people sat down to block an entire main street. Snatch squads of plainclothes police darted into the fleeing crowds to grab victims.

Peking's farming reforms benefit the hard workers

From Robert Grieves, Chengdu, Sichuan

In the tiny hamlet of Dongxiang, 50 miles south west of Chengdu in Sichuan province, a group of villagers has turned out to see the first Western journalist to visit their community.

Their cluster of brick-built homes forms an island of brown in a sea of bright green. Rice fields and bamboo groves stretch away towards hazy blue mountains on the horizon. In the foreground a little girl leads a water buffalo home, while out in the fields straw-battered peasants sling night soil on tender rice shoots.

Mr Yang Zhonghai, aged 42, invited a Times correspondent into his home for a sumptuous luncheon of fish, chicken, pork, bean-curd and eggplant, all punctuated by fiery Sichuanese sauces and washed down with a smooth rice wine made in the village.

As the wiry, suntanned Mr Yang talks, it becomes evident that he is a happy man. In the first three months of this year he built a spacious six-roomed, three-storey home with the help of a work team for 30,000 yuan (about £2,500) and he is now contemplating the renovation of a pigsty and other buildings in his walled compound.

Peking's rural reform, which allows farmers to sell 30 per cent of their production to the state at a fixed rate and the rest at higher contract prices or on the free market, has made Mr Yang quite prosperous.

Before the reforms were instituted in the early 1980s, Mr Yang worked in a collective and contributed only about 500 yuan (£41) a year of his household income. Last year

the Yang family earned more than 50,000 yuan (£4,166) from the rice, vegetables, chickens and pigs that they grew on their four acres of land.

With 108 million people, an equal number of pigs and a total land area greater than France, Sichuan is one of China's most important agricultural provinces. It was here in 1980 that Mr Zhao Ziyang, China's Prime Minister and acting General Secretary of the Communist Party, first experimented with rural economic reform while serving as the provincial party secretary.

Eight years later, the results of those reforms are to be seen everywhere. In Dongxiang a new school was built last year for the villagers' 240 primary schoolchildren in the township of Gongchen, of which Dongxiang is a part; more schools and a new home for the elderly are under construction.

Not everyone in the province wants to work as hard as Mr Yang, who puts in 10 hours each day. As a result not everyone benefits equally from the Government's reform policy.

Down the road from Dongxiang, in the village of Yuba, for example, a middle-aged woman listlessly watches water draining into a rice field. She claims that the county road took as much of her land that now her family has only a small piece on which to grow rice. She says her family income now is less than 300 yuan (£25) a head a year. When asked if her life had changed since the reforms were implemented, she replied: "No, it's as hard as before."

The spark of truth that ignited Seoul

From Our Correspondent, Seoul

But for a small item which escaped government vigilance and appeared in a Seoul morning newspaper, South Koreans would not know how their security police tortured a student to death.

After the report in *Hankook Ilbo*, the story was taken up by other newspapers and helped to ignite the clashes between police and students which have revealed the depth of public frustration with President Chun's Government.

No criticism of the President is permitted and any story the Government does not want its citizens to read cannot be printed. That the newspapers have been censored or self-censored has always been obvious, but how it has been done remained unclear until some present and former journalists revealed the systematic approach.

In the first such case since President Chun took power seven years ago, three journalists were prosecuted for revealing that press guidelines do exist. They were tried and at least one was tortured while being held by the police. The three, charged with revealing national security secrets, could have been jailed for seven years. But, in the face of the prospect of widespread protests from working journalists, the Government backed down and put them on probation.

Despite the conciliatory government line, the press censorship does not appear to have been modified. A member of the Democratic Press Movement, one of the 700

journalists removed from their jobs by the Government, said: "The owners of the Press and the Government have the same interest, so editors-in-chief censor young reporters. There has been no press freedom in our country since 1950. That's why we had to act."

The day's instructions for the press are drawn up by a committee of 13 in the Ministry of Culture and Information. One dissident journalist at *Hankook Ilbo* photocopied the 584 instructions issued between October 1985 and August last year. They were printed in full in the underground magazine *Mahl*.

Reports about strikes, torture of students, and the house arrest of opposition politicians and any comment on them by the US are banned. Also banned are British reports indicating that North and South Korea are at virtual military parity and that Seoul is an undesirable site for the 1988 Olympics because of severe air pollution.

Sometimes there are stories that must be printed. On January 22 last year the papers were told that a press conference by Mr Roh Tae Woo, now designated as President Chun's successor, should be the main story on page one and they were given the headline wording.

Mahl now plays hide and seek with the Government. Each bi-monthly issue is printed by a different firm, and the chief editor of the last issue is now wanted as a communist.

Hardliner picked as Hanoi leader

Hanoi (AFP) — Vietnam's National Assembly yesterday elected Mr Pham Hung as Prime Minister. Mr Pham Hung, aged 75, who ranks second in the Politburo, has the reputation of being a hardliner and a strong advocate of close co-operation with the Soviet Union.

The 496 deputies also elected Mr Vo Chi Cong as state President and Mr Le Quang Dao as president of the Assembly, the official Vietnamese News Agency reported.

Mr Hung succeeds Mr Pham Van Dong as Prime Minister, while Mr Cong, aged 75, succeeds Mr Truong Chinh.

Observers said Mr Pham Hung faces a difficult task in

succeeding Mr Pham Van Dong, who was a close associate of the former Vietnamese leader, Ho Chi Minh.

Mr Hung, until Thursday a deputy prime minister, was head of the powerful Interior Ministry from 1980 until February this year. Mr Vo Chi Cong was also a deputy prime minister and is known for being a skilful but discreet politician. He is considered a moderate within the Vietnamese leadership.

● SINGAPORE: The American Secretary of State, Mr George Shultz, yesterday called for the continued isolation of Vietnam (M.G.G. Pillai writes). He made his statement to foreign ministers of the Association of South-East Asian Nations.

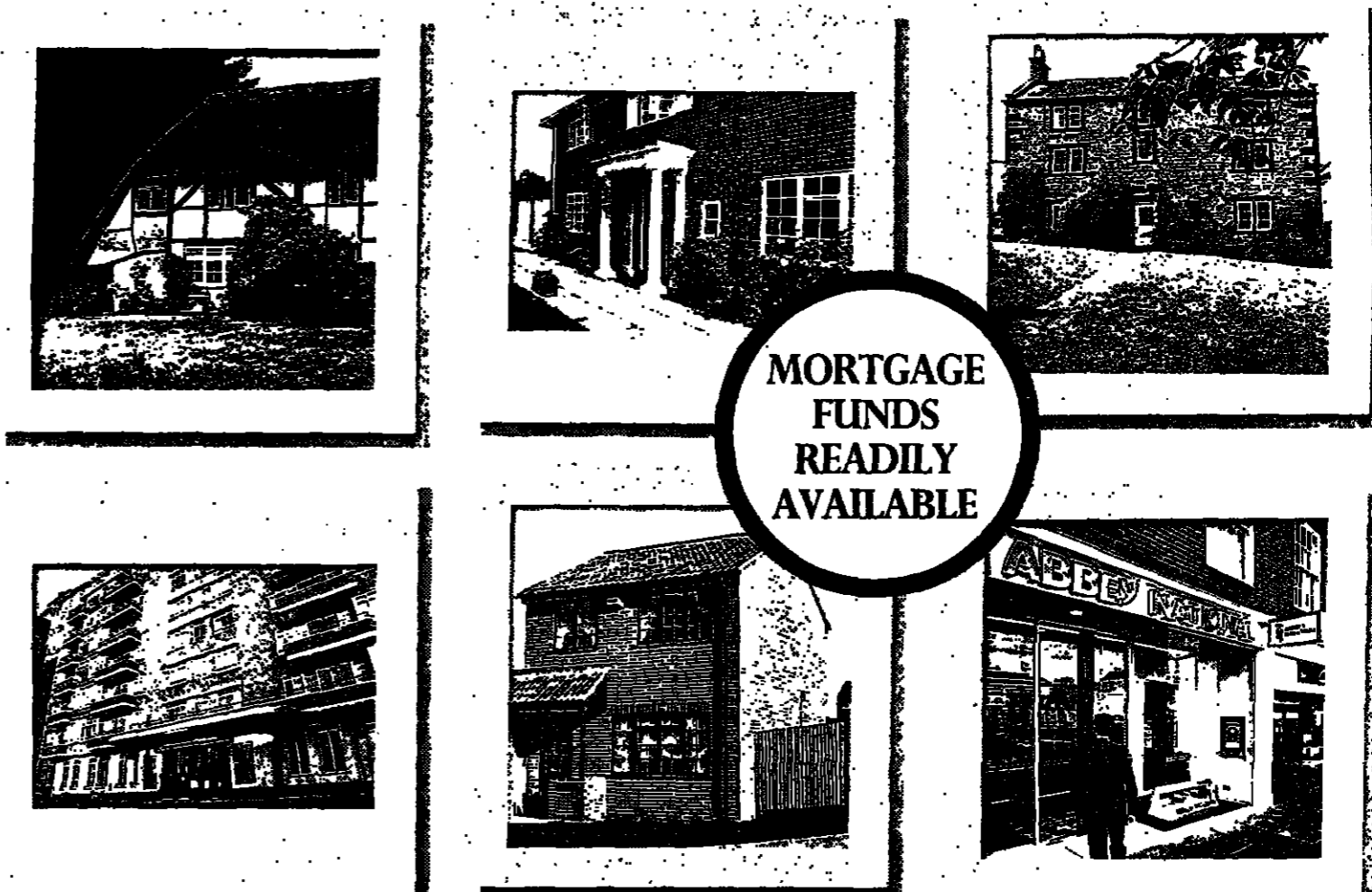


Mr Cong, known as a skilful and moderate politician.



Mr Hung, a keen supporter of pro-Moscow policies.

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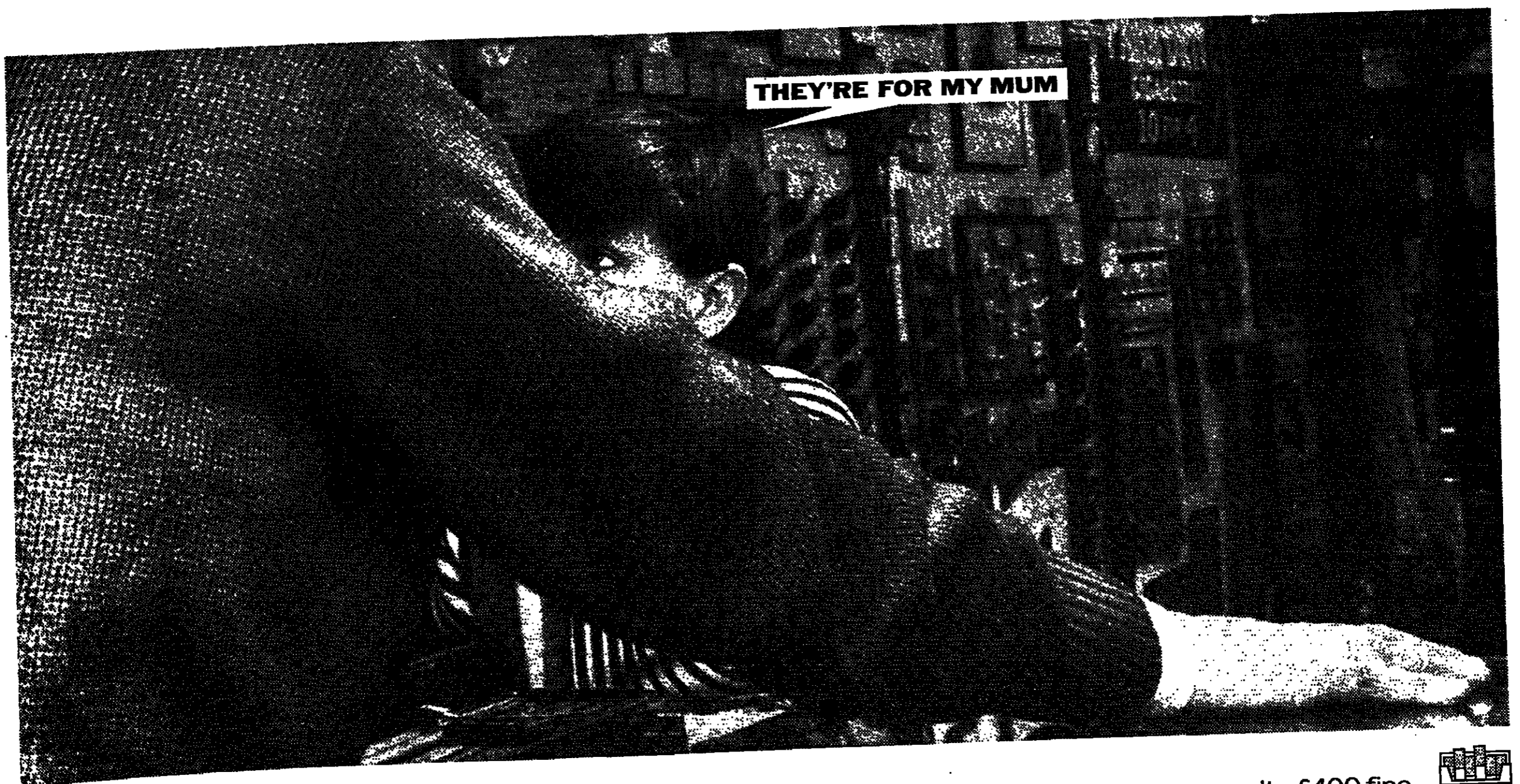
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THE TIMES DIARY

Charity chief

Insiders are tipping Leighton Andrews, director of the International Year for the Homeless, to succeed George Galloway as director of War on Want.

Moors murmurs

Manchester's head of CID, Peter Topping, is a sensitive soul. He took it badly when the whippers started about the reasons for John Stalker's exit from the force.

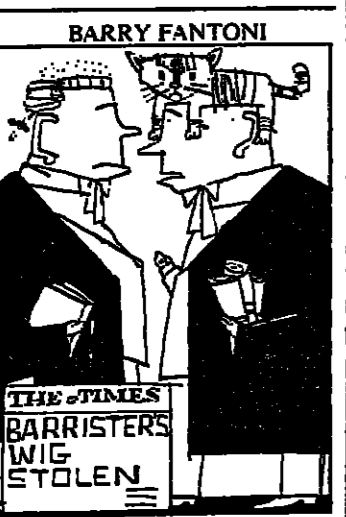
Cheltenham College (boarding fees £1,975 a term) is my nomination for swankiest public school.

Royal decree

Letters in this newspaper yesterday suggested that the Army had been less than solicitous for the Queen's comfort at her Birthday Parade.

It's a lottery

The worldly business of cash crises is exercising the mind of the financial secretary in the Roman Catholic diocese of Westminster.



Paradise lost

Settling for a smaller abode once the children have gone is a familiar enough idea. But for some it entails greater sacrifices than for others.

Strong arm

Here is an official staff appraisal of a London police officer to confirm every minority's worst fears about the Met.

This week's decision at a British Medical Association conference that general practitioners should have no right to be informed of the fact that their patients have been infected by the Aids virus will understandably cause dismay among some GPs.

When should doctors break their silence?

by Alex McCall-Smith

There are very few recorded cases of medical personnel being infected through accidental contact with the blood of patients but, as the incidence of infection increases, such cases will undoubtedly become more numerous.

In such a climate, it is quite understandable how those afflicted in this way would wish to avoid the news of their affliction going any further than is strictly necessary.

persons whom he believes may be at risk from a patient's infection. Not surprisingly, there have been doctors who say that they would defy any contrary instruction from the General Medical Council and warn the spouse of a patient found to be infected with the Aids virus.

Lord King, chairman of British Airways, charts the success of privatization in reviving companies and boosting the economy



Lord King goes to work: he argues that the government's programme has not only been a success, it has been popular

It is one thing to have a policy on privatization. It is another thing altogether to have the nerve and political will to carry it out.

known that we were vastly over-manned, but one of the company's greatest strengths was the pride that the vast majority of the employees had in the airlines.

pay high-profit companies that contributed to our economic decline - it was and is the low-pay low-profit concerns.

Compare this with what has been achieved in the past few years - British Telecommunications, British Gas, British Airways, TSB, Rolls-Royce, and the rest - and you can see the change in approach.

So what does the British Airways experience teach us for the future? First, the government should not own and run any business.

Another point from lessons learned is the extent to which the attitudes and motivation of the workforce can be transformed by moving from the public to the private sector.

The taxpayer is relieved of the burden of financing industries for little or negative return. The demands upon him are further reduced both by the money received from the sale of the asset and from the increased taxes paid by a successful enterprise.

Secondly the government should not both own and regulate an industry.

Thirdly, the dominance of the Treasury makes it very difficult for any government in power today to fund properly all the industries which it owns.

The arithmetic is staggering. It has been estimated that the losses in the nationalized industries which the government has written off since 1945 exceed £45,000 million.

What then are the principal lessons to be learned from privatization? First that it is possible - and indeed necessary - to make the state's assets work in the cause of creating wealth for the nation.

Since 1979, undoubtedly there has been a fundamental change of sentiment in favour of the act of transferring state owned enterprises to the private sector.

And, contrary to the critics, privatization has not been divisive. Like the sale of council houses, the programme has been immensely popular.

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Since 1979, undoubtedly there has been a fundamental change of sentiment in favour of the act of transferring state owned enterprises to the private sector.

The contrast is there for all to see in the case of British Airways. When I joined the company there was a board of 15, selected by the secretary of state and appointed for three years.

Trade union dominance, taxation and control of pay had destroyed the confidence of management to manage - nowhere more so than in the public sector - and companies were being run by personnel directors.

Successive governments contributed to the establishment of a low-pay economy. We must not forget that it was not the high-

A second problem was the reluctance of senior managers to allow too much interference from an outside chairman.

Successive governments contributed to the establishment of a low-pay economy. We must not forget that it was not the high-

I incline to the "sell the lot" school and would place the onus of justification on those who wish to retain a particular asset in the

On the staff side it was well

On the staff side it was well

On the staff side it was well

of his confidence is greater than the right that any other person may have to avoid being infected. Even if we accept that it is proper for a doctor to warn those at risk (and by no means everybody accepts that), the question arises as to whether there is a positive duty on the part of the doctor to warn others of the fact that a patient is a carrier of the virus.

This problem, in another guise, has already plagued doctors in the United States. In the American courts several psychiatrists have been successfully sued by people who have been injured by violent patients who had previously disclosed to their therapists that they were harbouring violent feelings towards others.

Intemperate demand for compulsory screening or for the requirement that travellers bear Aids test certificates are deeply disturbing. It might be that the best way of heading off such a response is to stress the absolute nature of the patient's right of confidentiality, but it is clear that this position can be maintained only if the legitimate rights of others to know are held to be of lesser importance.

The author is Associate Dean of the Faculty of Law, Edinburgh University.

John Rae

A draught in the public schools

The election debate on education having focused almost exclusively on what is wrong with the state schools and what should be done to put things right, one might imagine the heads of independent schools to be contemplating the future with no greater worries than dealing with wayward pupils and crushing incipient rebellion in the common room.

In a 1985 survey of the reasons why parents choose independent schooling, "better academic results" and "better character and discipline training" were top of the list; "better facilities", "the old school tie" and "boarding need" were at the bottom.

"Better academic results" come top of every comparable survey. The reason is not difficult to understand. Qualifications have replaced connections as the means of access to good universities and high-status careers. There are individuals with exceptional flair and talent who succeed in the media or the City without the help of a levels, but they are runaway horses, and as Jean Cocteau observed: "The speed of a runaway does not count."

There are some qualities that even the most successful Tory reforms cannot provide. The tradition and grandeur of Eton, the medieval charm of Winchester, Radley's broad acres, the sheer beauty of the setting of some of the great boarding schools - these will not be on offer at the city technical colleges and the grant maintained

schools (as the comprehensives that opt out of local authority control will be called). What these colleges and schools will provide, if they are well managed, is the good academic results and good discipline that will attract parents back to the state sector.

That will mean that the independent schools are hoist by their own petard. For many years they have sung the praises of competition and have argued, a little smugly at times, that schools are sure to be better managed if they are free from the dead hand of bureaucracy. It was a safe song and an argument that could be used with impunity, or so it seemed, because the heads of independent schools, like so many other people, did not believe that more radical Tory education policies would be implemented.

In some cities, such as Newcastle, where there is a concentration of independent day schools, the prospect of competition from a city technical college is causing alarm. The first pupils to be affected would be those on the assisted places scheme. If the city technical college achieves excellence, there will be no justification for sending inner city pupils, at public expense, to independent schools. The colleges' emphasis on science and technology for girls will also provide healthy competition for those girls' independent schools finding it difficult to staff these subjects.

I hope the Headmasters' Conference and the Girls' Schools Association will now come out firmly in favour of the city technical colleges and the grant maintained schools. If they do not the suspicion will arise that they are more interested in their own survival than in their often expressed wish for an improvement in the quality of state education. The author, formerly headmaster of Westminster School, is now Director of the Laura Ashley Foundation.

however... Henry Stanhope

Wall-to-wall revolution

"Good evening. Welcome to the Brent Council Extramural College of Social Awareness Introductory Course on Graffiti. My name is Ivor Chipp. Reader in Mural Art - but please call me Ivor or I've. Now I suggest we start by examining the inspirational forces which are behind our chosen art form. In other words, why do we do it. Yes, you at the back..."

much more pioneering. Where's the chalk gone? Here we are. "Political cartoons depicting the middle-class in Western society. "We're making excellent progress. Now let's move on, shall we, to our chosen work-places - our vast spreading canvas in the metropolis. You with the skinhead metropolis, sorry, haircut!"

THE TIMES INFORMATION SERVICE

This selective guide to entertainment and events throughout Britain appears from Monday to Friday, followed in the Saturday section by a preview of the week ahead. Items for inclusion should be sent to The Times Information Service, PO Box 7, 1 Virginia Street, London E1 9XN

BOOKING KEY

- * Seating available
* Returns only

THEATRE

LONDON

AN INSPECTOR CALLS: Tom Baker and Pauline Jameson in Priestley's evergreen about guinea pigs among the gentry.
WOMAN IN MIND: Polynesian Ayckbourn drama with Pauline Collins as a wife at her wits' end.

UP ON THE ROOF: Three steps down Memory Lane, 1975, 1980, 1985, as five students learn the ups and downs of adult life.
WOMAN IN MIND: Polynesian Ayckbourn drama with Pauline Collins as a wife at her wits' end.

UP ON THE ROOF: Three steps down Memory Lane, 1975, 1980, 1985, as five students learn the ups and downs of adult life.
WOMAN IN MIND: Polynesian Ayckbourn drama with Pauline Collins as a wife at her wits' end.



By tonight the better part of 55,000 people will have descended on a farm site in Somerset for the start of the 1987 Classics (and) Festival, a three-day music event...



fundamentalists has contributed a much-needed infusion of cool to the hackneyed Nashville sound...

OUT OF TOWN

BATH: Portraits: Interesting new William Douglas Home play with Michael Falvey as Augustus, and Simon Ward playing three of his sisters.

BATH: Portraits: Interesting new William Douglas Home play with Michael Falvey as Augustus, and Simon Ward playing three of his sisters.

WHITE OF THE EYE (18): Ten years after the murder of a young woman, Donald Cameron returns to the director's chair and comes up with a thriller played high with fastbacks, red herrings and red herrings.

FILMS

Also on national release
BLUE VELVET (18): David Lynch's surreal tale about a placid surface of an American small town being violently ripped apart.

CONCERTS

TOVEY / PHILHARMONIA: Rossini's La gazza ladra Overture, Handel's Water Music, Greg's Piano Concerto (soloist, Hironi Okada) and Beethoven's Symphony No 6 'Pastoral' are played by the Philharmonic.

OPERA

IL BARBIERE DI SIVIGLIA: Gabriele Ferruccio conducts the Royal Opera's revival. Cast includes Paola Burchielli, Leo Nucci and Luciano Pavarotti.

DANCE

SACRE DU PRINTEMPS: James Gurdal's production of the Stravinsky ballet is presented by the Royal Opera.

JAZZ

KENNY BURRELL: Since Wes Montgomery's death, jazz guitarist has been able to match Burrell's combination of warmth and sophistication.

ROCK

DAVID BOWIE: Reports from Europe suggest that Bowie's 'Spider' tour is one of Bowie's best-planned efforts to date.

TOP FILMS AND VIDEOS

- 1 (1) The Morning After
2 (2) Platoon
3 (3) The Three Amigos
4 (4) Crocodile Dundee
5 (5) The Believers
6 (6) Harry & The Handsoners
7 (7) Ernest Goes To Camp
8 (8) Scarface
9 (9) Star Trek IV
10 (10) Platoon

UNITED STATES

- 1 (1) Predator
2 (2) Witches of Eastwick
3 (3) Beverly Hills Cop II
4 (4) The Untouchables
5 (5) The Believers
6 (6) Harry & The Handsoners
7 (7) Ernest Goes To Camp
8 (8) Scarface
9 (9) Star Trek IV
10 (10) Platoon

VIDEO RENTALS

- 1 Aliens
2 A Nightmare on Elm Street II
3 The Untouchables
4 Potter II
5 The Karate Kid II

ENTERTAINMENTS

Advertisement for 'ENTERTAINMENTS' featuring various listings for concerts, exhibitions, and theatres.

CONCERTS

Advertisement for 'CONCERTS' listing various musical performances and venues.

EXHIBITIONS

Advertisement for 'EXHIBITIONS' listing art shows and galleries.

THEATRES

Advertisement for 'THEATRES' listing various theatrical productions and venues.

OPERAS

Advertisement for 'OPERAS' listing opera performances and venues.

Some mason rituals are blasphemous, Church told

By Robin Young
There are fundamental reasons to question the compatibility of Freemasonry with Christianity...

Time for those Ascot hats again



By Liz Smith
The clock which appeared at Ascot yesterday may provide protection against showers...

Princess Margaret chose fashionable yellow, in a pleated dress and bolero by Sarah Spencer.
Yellow and scarlet kept in the lead as the favourite colours and, mixed in with the black worn with white that is so much in vogue this summer, gave a distinct flamenco feel to Ladies' Day.

Thatcher takes charge of inner city drive

Continued from page 1
The Department of Trade and Industry is to link with the Department of the Environment...

Britain tells 15 Iranian envoys to leave

Continued from page 1
The Iranian Foreign Ministry was informed on Tuesday and replied by proposing a compromise involving a return to an earlier phase in the dispute.

Israeli technicians refit Soviet tanks for China

Continued from page 1
Israeli technicians have revolutionized a process to "westernize" T54 and T55 battle tanks after capturing hundreds of them in wars with the Russian-equipped Arab armies.

Younger warns US on defence protectionism

By Sheila Gunn, Political Staff
A sharp warning to the United States not to discriminate unfairly against British companies was issued yesterday by Mr George Younger, Secretary of State for Defence.

The Times Crossword Puzzle No 17,387. Includes crossword grid and 25 numbered clues for Across and Down.

WEATHER
General situation: a small but active depression will cross southern Britain. Wales and the southern half of Britain will experience a miserable, wet and windy start to the day...

ABROAD weather table with columns for location and weather conditions.

AROUND BRITAIN weather table with columns for location, sun, rain, and max/min temperatures.

HIGH TIDES table with columns for location, AM, PM, and HT (High Tide) times.

Solution to Puzzle No 17,386. Shows the filled-in crossword grid.

THE POUND and HIGHEST & LOWEST tables. Includes exchange rates for various currencies and daily high/low temperatures for major cities.

Younger warns US on defence protectionism

While denying that he was "threatening" the US Congress, he made clear in his first major speech since the general election that if it introduced protectionist measures against foreign competition, British firms will retaliate...

Israeli technicians refit Soviet tanks for China

Israeli technicians have revolutionized a process to "westernize" T54 and T55 battle tanks after capturing hundreds of them in wars with the Russian-equipped Arab armies.

Weather maps and charts. Includes AM and PM weather maps of the UK, a lighting-up time chart, a yesterday weather map, and a noon today weather map with a globe showing pressure systems.

Various financial and market-related advertisements including 'STOCK MARKET', 'Two more home loan rates cut', 'SUMMARY', and 'MANCHESTER'.

WALL STREET

New York (Agencies) - Shares retreated in moderate, early trading yesterday as the dollar and bond markets drifted lower.

Table of stock market data including Dow Jones Industrial Average, S&P 500, and various stock indices.

CITY SITE ESTATES: Interim dividend 0.56p (0.47p) for the six months to March 31. With figures in £000: Rental income 805 (737). Pretax profit 342 (353). Earnings per share 2.83p (0.50p).

PROPERTY PARTNERSHIPS: Total dividend 5p (6p) for the year to March 31. With figures in £000: Net rental income from investment properties 1,024 (927). Hotel turnover 3,807 (3,213). Pretax profit 1,450 (1,130). Earnings per share 19p (14.8p).

Waycom Holdings for about £500,000 cash. Conway, which is based in Bristol, Berkshire, is mainly a distributor of Intel systems. HARMONY LEISURE: The company is reporting for the 15 months to March 31 (comparative figures for the year 1985) a dividend 0.1p as forecast. With figures in £000: Turnover 5,052 (nil). Pretax profit 260 (12). Earnings per share 1.31p (0.07p).

More company news is on page 29

RECENT ISSUES

Table of recent issues including Roll-Royce (85p), Airports (160p), and various other companies with their share prices.

LONDON TRADED OPTIONS

Table of London traded options for various companies like Shell Trans, Trafalgar House, British Gas, etc.

Table of traditional options for various companies like LAMCO, Passkey, P&O, etc.

CANADIAN PRICES table listing various Canadian stocks and their prices.

Good results for everyone we answer to.



British Telecom is pleased to announce its financial results for the year ended March 31, 1987. Profit before tax exceeded £2 billion for the first time; this continuing financial success enabled us to spend nearly £6 million a day on modernising and expanding our system...

Financial Results for year ended 31 March 1987. Table with columns for Fourth Quarter 1986/7, Full Year 1986/7, and Full Year 1985/6. Rows include Turnover, Operating profit, Profit before taxation, etc.

ones, and much smaller but no less important projects, like providing talking telephone bills for blind and partially-sighted customers. We are investing in high technology, like the communications satellites which orbit the earth...

- Highlights of the year: Turnover up 12.4% to £9,424 million. Profit before tax up 11.7% to £2,067 million. Dividend of 8.45p per share for the year - up 12.7%. Investment in the business exceeds £2,100 million. 90% of capital purchases from UK suppliers.

Final dividend of 5.1 pence net per share will be proposed to the Annual General Meeting, making a total dividend of 8.45 pence net for the year. It will be paid on September 28 to those investors on the register on August 21, 1987.

Because - whether you're a customer or an investor - it's you we answer to. British TELECOM Investing for growth

TRADITIONAL OPTIONS

Table of traditional options for various companies like First Dealings, Last Dealings, etc.

LONDON FINANCIAL FUTURES

Table of London financial futures for various contracts like Three Month Sterling, Three Month Eurodollar, etc.

LOANPLAN advertisement. Text: 'can give you up to £15,000 from just one phone call'. Includes details about interest rates, repayment options, and contact information.

APPOINTMENTS Woolwich names director

Woolwich Building Society: Miss Eugenie Turton joins the board as a non-executive director. Baring Brothers & Co: Mr Peter Norris, Mr Andrew Smith and Mr Bernard Taylor become directors. Legal & General Group: Mr Tony Hobson is made an executive director and Sir John Egan a non-executive director. Taylor Woodrow: Mr Colin Parsons joins the board. Vining Property Group: Mr Geoffrey Bates and Mr Bryan Harris are appointed joint managing directors and Viscount Tamworth a director. Sharpe & Fisher: Mr David Newcombe joins the board. Unichem: Mr Mike Smith becomes a non-executive director. Avesco: Mr Bill Fulton joins the board. Taylor Young Investment Management: Mr Roderick McDougall is made a non-executive director. Friends Provident Life Office: Mr John de Havilland and Mr Richard Stanley join the board. A Caird & Sons: Mr Peter Linscar becomes a director. Robert Fleming & Co: Mr Antony Brewin joins the board. Guildway: Mr Roger Bedford becomes managing director.

John Crowther Group in £38m US takeover

Agreement has been reached for the John Crowther Group, a Leeds-based textile manufacturer, to acquire a "substantial interest" in the McCall Pattern Company for \$21.5 million (£13.1 million). McCall is a brand name in the home sewing business in the United States. The total price for McCall will be \$63 million (£38.5 million). This agreement is conditional on certain US regulatory filings. Crowther also reports the establishment of a New York office for the import of Crowther's manufactured products into the US. The group is also in advanced talks to acquire another substantial US business. CHILDREN'S MEDICAL TRUST: The trust is reporting for the period from July 17 to December 31, 1986, (compared with the period April 14 to July 16, 1986). Total income £24,337 (£2,134). Deed of covenant £13,367 (nil). Total assets at market value, less current liabilities, after deducting deed of covenant £904,377 (£50,915). JULIANA'S HOLDINGS: The board has conditionally agreed to acquire Jongor. The initial consideration is £3 million (4.61 million new Juliana's ordinary shares). A further consideration of up to £1.8 million will also be paid, conditional on the profitability of Jongor. The new ordinaries will be offered by way of rights to ordinary and convertible loan stock holders at 65p each. The 4.61 million shares will represent about 22 per cent of the enlarged issued capital.

COMPANY NEWS SKETCHLEY: The company has acquired Jeeves of Belgium, a leading dry-cleaning chain, for 910,000 ordinary shares, worth about £4.8 million. Jeeves operates from seven premises in central London. Sketchley will also acquire Lillian and Cox which has two further outlets and holds three royal warrants. UNILOCK HOLDINGS: Year to March 29 (comparisons restated). Total dividend 2.2p (1.97p). With figures in £000: Turnover 24,148 (22,478). Pre-tax profit 2,262 (1,840). Earnings per share 6.48p (5.69p). Unilock is budgeting for a further increase in profits in the current year. AVON RUBBER: The company, in association with ANF (Les Ateliers de Construction du Nord de la France) of Paris, has reached an agreement (subject to the French treasury's permission) to buy Tabur Caoutchouc, based in Vannes, Brittany, from Société Bic. The price will be 37.5 million francs (£2.8 million). Avon and ANF jointly own Société Française des Caoutchoucs Spencer Moule and the acquisition of Tabur will strengthen the joint venture. STODDARD HOLDINGS: Dividend 1.3p - the first since 1980 - for the year to March 31. With figures in £000: Sales 34,995 (37,139). Pre-tax profit 1,708 (369). Earnings per share 8.2p (1.4p loss). LLOYDS BANK: Black Horse Agencies, the estate agency subsidiary, has reached agreement for the purchase of Lamphire and Nancollas and Pass Barton, two Cornish firms, which takes BHA's national network to 377 offices in 39 counties.

EURO MONEY DEPOSITS % Table with columns for currency (Dollar, Deutschmark, French Franc, Swiss Franc, Yen) and terms (1 month, 3 months, 6 months, 1 year). Includes a BULLION section with Gold prices and an ECGD section with Freight rates.

MONEY MARKETS AND GOLD Table with columns for various market rates including Discount Rates, Treasury Bills, Prime Bank Bills, and Trade Bills.

ALPHA STOCKS Table with columns for Company, Volume '000, and Price. Lists various companies like Allied-Lyons, Amstrad, Anglo, ASDA-MFI, etc.

FOREIGN EXCHANGES Table with columns for Market rates (Sterling, Dollar, etc.) and Dollar Spot Rates (Argentina, Australia, etc.).

BACK IN THE BLACK

RESULTS FOR THE YEAR ENDED 31ST MARCH Table comparing 1987 and 1986 figures for Turnover, Profit before tax, Earnings per share (basic), Gearing, and Market capitalisation (inc. pref. shares).

Our share price has more than doubled over the last twelve months.* Shareholders will be delighted to hear that the Board are recommending proposals to clear arrears of preference dividends and then pay an ordinary dividend.

There is of course, much more to do. And it will be done. Chloride is a global electrical energy company. With strong market shares in many countries.

Chloride is unquestionably back. Our profit before tax, at £17 million is up £16.5 million, while our net attributable profit has risen by £15.3 million. The measures taken to reorganise the Group into streamlined global businesses that take account of customer needs, rather than our historical manufacturing requirements, are already producing results. And will continue to do so. Once again, we have a positive cash flow from operations. We have re-established normal and healthy banking relationships with gearing held at 26%.

It is our intention to build on this platform to make Chloride the world leader in rechargeable batteries and power electronics. We have the products. We have the technology. We have the people. And with our shareholder base, we have the resources. Our plans for the future are certainly ambitious. But achievable. Chloride is back.

*Midmarket price as at June 16th CHLORIDE THE ELECTRICAL ENERGY COMPANY

University news Cambridge Tripos

The following Cambridge University Tripos examination results have been announced: Chemical Engineering, Natural Science Tripos Part II, History and Philosophy of Science, Preliminary Examination for Part II of the archaeological and anthropological tripos, Archaeology, Archaeological and Anthropological Tripos Part II, Social Anthropology, Final Veterinary Examination Part II, Principles of Diagnosis and Therapeutics, Public Health and Postery, Management Studies.

THE TIMES UNIT TRUST INFORMATION SERVICE

Unit Name	Bid	Offer	Chng	Yld	Unit Name	Bid	Offer	Chng	Yld
ARMY UNIT TRUST MANAGERS					F&C UNIT MANAGEMENT				
Armstrong	115.15	116.00	+0.10	4.30	Adv. & Rev. No. Mason, Brom. Bond				
Armstrong Bond	112.10	113.00	+0.10	4.30	Adv. & Rev. No. Mason, Brom. Bond				
Armstrong Growth	118.10	119.00	+0.10	4.30	Adv. & Rev. No. Mason, Brom. Bond				
Armstrong Income	114.10	115.00	+0.10	4.30	Adv. & Rev. No. Mason, Brom. Bond				
Armstrong Special	116.10	117.00	+0.10	4.30	Adv. & Rev. No. Mason, Brom. Bond				
Armstrong World	117.10	118.00	+0.10	4.30	Adv. & Rev. No. Mason, Brom. Bond				
Armstrong Yield	113.10	114.00	+0.10	4.30	Adv. & Rev. No. Mason, Brom. Bond				
Armstrong Zebra	119.10	120.00	+0.10	4.30	Adv. & Rev. No. Mason, Brom. Bond				
Armstrong Zero	115.10	116.00	+0.10	4.30	Adv. & Rev. No. Mason, Brom. Bond				
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Armstrong Zero	115.10	116.00	+0.10	4.30	Armstrong Zero	115.10	116.00	+0.10	4.30
Armstrong Zero	115.10	116.00	+0.10	4.30	Armstrong Zero	115.10	116.00	+0.10	4.30
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Armstrong Zero	115.10	116.00	+0.10	4.30	Armstrong Zero	115.10	116.00	+0.10	4.30
Armstrong Zero	115.10	116.00	+0.10	4.30	Armstrong Zero	115.10	116.00	+0.10	4.30
Armstrong Zero	115.10	116.00	+0.10	4.30	Armstrong Zero	115.10	116.00	+0.10	4.30

UNLISTED SECURITIES

Company Name	Price	Offer	Chng	Yld
Armstrong	115.15	116.00	+0.10	4.30
Armstrong Bond	112.10	113.00	+0.10	4.30
Armstrong Growth	118.10	119.00	+0.10	4.30
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Armstrong Zero	115.10	116.00	+0.10	4.30
Armstrong Zero	115.10	116.00	+0.10	4.30

INVESTMENT TRUSTS

Unit Name	Price	Offer	Chng	Yld
Armstrong	115.15	116.00	+0.10	4.30
Armstrong Bond	112.10	113.00	+0.10	4.30
Armstrong Growth	118.10	119.00	+0.10	4.30
Armstrong Income	114.10	115.00	+0.10	4.30
Armstrong Special	116.10	117.00	+0.10	4.30
Armstrong World	117.10	118.00	+0.10	4.30
Armstrong Yield	113.10	114.00	+0.10	4.30
Armstrong Zebra	119.10	120.00	+0.10	4.30
Armstrong Zero	115.10	116.00	+0.10	4.30
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Armstrong Zero	115.10	116.00	+0.10	4.30
Armstrong Zero	115.10	116.00	+0.10	4.30
Armstrong Zero	115.10	116.00	+0.10	4.30

Financial data and notes for unlisted securities section.

Financial data and notes for investment trusts section.

FINANCIAL TRUSTS

Financial trusts table with columns for Unit Name, Price, Offer, Change, Yield.

Unit Name	Price	Offer	Chng	Yld
Armstrong	115.15	116.00	+0.10	4.30
Armstrong Bond	112.10	113.00	+0.10	4.30
Armstrong Growth	118.10	119.00	+0.10	4.30
Armstrong Income	114.10	115.00	+0.10	4.30
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Armstrong Zero	115.10	116.00	+0.10	4.30
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New role on world stage

Recent pressures on Japan to modify its trade policies underline the extent of its economic success. Peter Stafford examines whether it will now translate this surging economic power into international political power

Japan has marked out a quite distinctive place for itself on the world scene. An island country, with a strong sense of its own national identity and culture, it has long been remarkable as the one nation outside Europe and those settled by Europeans to have met the West on its own terms — and to have succeeded.

The extent of its success has been visible in recent months, as Washington, Brussels, London and other capitals have brought pressure to bear on Tokyo over its trading and other policies. There is some justification in the complaints over the difficulties that other countries encounter in penetrating the Japanese market place, and the Japanese, though responding to the complaints, have done so only slowly and partly.

But the underlying reality is that Japan has become rich through the means that the West has made its own — hard work, use of advanced technology, commercial enterprise — with the result that it is now the second largest economy in the non-communist world, and an economic power throughout the world.

It is currently going through a relatively difficult phase, to a great extent brought on by its own success. The sharp rise in the value of the yen has created problems for its manufacturing industries, with their dependence on exports; and much of its industry now needs restructuring to meet changed circumstances.

But the country met and surmounted a much more serious crisis in the early 1970s, when its economy suffered badly from the sudden, sharp increase in the price of oil. Today it is far stronger and better established than it was then, and it will presumably meet the challenge.

The question is whether Japan will now go further in translating its economic power into political influence. Since the end of the Second World War, which reduced it to ruins and left its public opinion strongly anti-militarist, it has been in an unusual position, protected by its alliance with the United States, spending little on its own defence, and able to concentrate on its commercial interests.

Now it is becoming increasingly aware — with some nudging from both Americans and Europeans — that it has to play a more active part in world affairs, if only to protect its own substantial interests. Under Yasuhiro Nakasone, the Prime Minister since 1982, there has been a move in that direction, most notably at the Williamsburg economic summit of 1983, when Mr Nakasone publicly accepted Japan's concern with issues of East-West security. More recently, there has been the decision to increase defence spending above the limit of 1 per cent of GNP.

But Mr Nakasone came under heavy criticism in Japan for the Williamsburg declaration, and though officials accept that Japan needs to play a more active role internationally they emphasize the limitations on government action.

One possible area of activity is in attempts to end the Iraq-Iran war, as Tokyo has friendly relations with both countries, but Japan will not be assuming a high profile.

Closer to home, Japan has only limited relations with its immediate neighbours, the Soviet Union, China and Korea. One commentator pointed out to me that this was one more difference between Japan and the countries of western Europe: that the Euro-



peans were a group of similar countries, linked by history and culture, whereas there was no comparable affinity between the countries of east Asia, so that Japan felt that it stood alone.

Relations with Moscow are bedevilled by Soviet occupation since the war of the Kuril Islands, which the Japanese are determined to end, however long it takes.

The attraction of being allowed a hand in the development of Siberia has lost much of its appeal as Japan has reduced its dependence on raw materials and switched its industrial emphasis to high technology.

As for China, Japan provides much of the technology

and finance for that country's development. But Peking is suspicious of Tokyo and has been publicly critical recently, particularly of the decision to increase defence spending.

Even with South Korea, contacts are limited. Japan has nevertheless begun to involve itself more

THE VITAL STATISTICS

- Population: 120 million
- Land area: 145,869 square miles
- Head of state: Emperor Hirohito
- Ruling party: Liberal Democratic Party
- Prime Minister: Yasuhiro Nakasone
- Gross domestic product: ¥320,000 billion (£1,400 billion)
- Surplus on current account (1986): \$85.8 billion (£53 billion)
- Growth rate (1986): 2.5 per cent
- Consumer price movement: drop of 1 per cent
- Unemployment: 3 per cent

actively in world affairs under Mr Nakasone. How far that policy will change when he stands down, as planned, in October, remains to be seen. None of his likely successors has his forcefulness of character, which has stood him well in the West, though much less so within Japan.

But the likelihood is that the

main trends of Japanese policy, conditioned as they are by circumstances, will continue. This would imply further, but still limited, accommodation to the pressures from the West to remove obstacles to trade and other economic activities; and further recognition, again limited, that Japan cannot remain isolated.

Much of Japan's strengths, and its weaknesses, derives from the fact that it is an island country. It is that which gives the Japanese their tightly knit sense of identity, but also their frequent insensitivity to the concerns of others.

But they are clearly coming to appreciate that in today's world no nation can be an island.

A vibrant nation, but feelings of insecurity remain

What would happen if the rest of the world suddenly renounced Japanese-made video recorders, stereos and all the other consumer goodies?

The dispensability of Japan, the notion that it could sink beneath the waves and the world would carry on regardless, has always been a favourite theme of Japanese angst.

Today, with production moving offshore at a remarkable rate and Japanese capital underwriting the American debt or tied up in property, the consequences of rejection would be far from serious.

But Japan's feelings of insecurity have not yet been assuaged by the reality of its strength. Ever since the yen began its rise against the US dollar, many Japanese have seen the whole sequence of events, including western criticism, as a scheme got up by other countries, jealous of its success, to do Japan down.

Scratch through the politeness of many a bureaucrat or businessman today and underneath you will find a man who believes strongly that Japan is being made to pay the price for American economic decline. And when the Europeans join in, it is a feeble sort of me-too diplomacy.

There is, however, another factor which has muted public criticism. The increased sophistication and diversity of Japanese economic activities around the world means that alliances of interest with foreigners are on the increase.

Recent examples have been foreign pressures for the liberalization of the domestic financial and telecommunications markets, Japanese bankers and businessmen, and even bureaucrats on occasion, can be heard urging foreigners to press for change in the domestic interest as much as for Japan's image abroad.

Even so, that the world's largest creditor nation and overall second strongest economy in the non-communist world should still have to dance to a tune written by the West strengthens the nationalist elements in the ruling Liberal Democratic Party and,

perhaps more significantly, in the bureaucracy.

The Venice summit showed that Yasuhiro Nakasone, the Prime Minister, is now perfectly capable of telling the American leadership what he thinks they should do about their budget deficit and how quickly they should do it.

Meanwhile there seems to be little rejoicing over the strong yen at home. The reasons for this are diverse, but primary among them is the fact that ordinary Japanese have benefited much less than they might have expected from the effects of a strong currency.

Large-scale lay-offs in coal, steel and shipbuilding are attributed by the Government to its industrial restructuring programme, undertaken as part of its international obligations — though in reality those industries have become unviable either because of increased foreign competition or because of Government unwillingness to go on subsidizing inefficient local production of coal.

At the same time foreign consumer goods have shown little appreciable change in price; and the flood of cash swirling around Tokyo has done little for the ordinary *salariman*, or salary-earner, except inflate stock market prices and push up the cost of real estate and retirement to the point where many will probably never be able to own a piece of property in their own capital city, or may be forced to retire abroad.

No wonder then that the average Mr Suzuki is inclined to think that you are speaking of someone else when you argue that Japan is now the richest country in the world.

Small wonder, too, that he feels somewhat put upon when held personally responsible for the economic shortcomings of that mystical entity, "the Japanese".

David Watts





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EPSON

A challenger to defy the Shogun in the Shadows

Between now and the end of October a new leader of the Liberal Democratic Party (LDP) will emerge to claim his role as the next prime minister of Japan, in succession to Yasuhiro Nakasone, writes David Watts. It is a foregone conclusion that whoever leads the party will lead the country because the LDP has overwhelming control of the 764-seat bicameral Diet, a control it has held since the party's formation 32 years ago. Party rules require Mr Nakasone to stand down now, despite last year's election success.

That success gained him an extra year, going beyond the two periods of two years which the party considers normal. But his standing has since slipped, and he has said he will resign in October.

The race for the succession is already under way, and it is a contest quite unlike any similar political process in the West. Policies and programmes play no part in deciding who will next lead the second most economically powerful democracy in the western camp. The public has only marginal contact with the proceedings.

The LDP is best seen as a coalition of interest groups rather than a political party in the conventional sense. No group within the party has enough power on its own to determine who the next leader will be, so the process is a drawn-out but highly sophisticated and subtle exercise in horse-trading.

The 446 LDP parliamentarians are roughly split among five factions, with the remainder running nationally as independents. The factions are



grouped around a single leader of a particular political pedigree, or with access to large amounts of largesse.

For years the most powerful faction has been that of Kakuei Tanaka, the former prime minister, whose influence had been such that he had the controlling say in the appointment of the three prime ministers who have followed him in office since his resignation in 1974.

But since his crippling stroke in 1983 Mr Tanaka's influence has dramatically declined, and his faction is now on the point of breaking up. This factor has made the current contest for the prime ministership much more complex by introducing a

fourth potential candidate into what was otherwise a rather lacklustre three-horse race likely to end in a compromise.

Threatening to split the strong Tanaka faction into two camps

fourth potential candidate into what was otherwise a rather lacklustre three-horse race likely to end in a compromise.

Initially it was expected that the three so-called "new leaders" would have the race to themselves: Noboru Takeshita, the current secretary-general of the party and former finance minister; Kiichi Miyazawa, the current Finance Minister; and Shintaro Abe, formerly Foreign Minister.

These three had for months been expected to work out the succession

between them. Suddenly in the middle of May, Susumu Nakai, a loyal lieutenant and guardian of Mr Tanaka's interests, announced that he, too, would be trying for the party presidency, threatening to split the 141-strong Tanaka faction into two camps — those supporting Mr Takeshita and those supporting Mr Nakai.

Mr Takeshita has been persona non grata with Mr Tanaka ever since he tried to start his own faction-within-a-faction before Mr Tanaka became ill. Towards the end of May he defied the old "Shogun in the Shadows" once more to go ahead with a fund-raising party for his candidacy despite Mr Tanaka's apparent endorsement of Mr Nakai.

Mr Takeshita is said to have raised £8.75 million for his war chest and attracted 118 of the Tanaka faction. He is still hoping that Mr Nakai will back down, so bringing the whole of the Tanaka faction behind Mr Takeshita. Those numbers, combined with an understanding of support from Mr Abe and his faction, would set him well on the way to the prime ministership. But both Mr Abe and Mr Miyazawa are expected to declare their candidacies after the summer session of the Diet. Then the final bargaining will begin.

Though Mr Takeshita may well be the ultimate winner, one thing is certain: the style of the next prime minister will be markedly different from that of the present incumbent, with his unusually forceful style.

Yet Mr Nakasone's approach to the office has been so different from that of his predecessors that he will certainly leave his mark on the office.

Yasuhiro Nakasone during a visit to London: despite his success as Japan's prime minister, the time is coming for a change of leadership



Strong reluctance over increased military spending



Defence has been an emotional and difficult issue for the Japanese ever since defeat in the Second World War. Reluctant to spend too much on defence, they have depended on their alliance with the US for security.

However with the emergence of Japan as an economic superpower, Tokyo has been persuaded, after intensive US and prime ministerial pressure to take on greater responsibility.

Because of the size of its gross national product, Japan ranks 10th in the world in

15 cruisers, 14 destroyers and 21 frigates, as well as 77 submarines. Closer to Japan, on the island of Sakhalin, the Soviets have three naval bases and seven military airfields.

The Soviet ground forces in the Far East are also impressive: 41 divisions of about 370,000 troops. Some 2,390 combat aircraft are also based in the region. Perhaps the greatest cause of concern are the 162 SS-20s and the 85 Backfire strategic bombers.

Compared to this military might, Japan can muster only 13 divisions, one of them armoured, 15 submarines, 34 destroyers, 18 frigates and about 311 combat aircraft.

With the whole Pacific Basin now in the strategic spotlight, Japan has had to reassess its role in the region. But there is still great reluctance to increase defence spending, significantly because the Japanese policy of "economics above all" has enabled them to become the wealthiest and most technologically advanced nation in Asia.

Most experts agree that there has to be a careful balance. A major military build-up by Japan could be destabilising for the region, and yet it is in the interests of the West for the Japanese to use their economic strength to play a more important part in the security of the area.

A larger share in the defence costs

Though this historic decision has not resulted in a significant increase in military expenditure, it has shown that Japan is ready to take on a bigger share of the defence burden. Nothing will change the pacifist mood of the Japanese people, yet the huge build-up of Soviet weaponry in Asia has forced them to come to terms with the military realities.

The Japanese Self-Defence Forces do not possess nuclear weapons, and the size of the forces and equipment is limited under their constitution to the minimum necessary for self-defence. However they have purchased more sophisticated weapons from the United States, such as Patriot surface-to-air missiles.

Japan also has a flourishing defence industry of its own, supplying 80 per cent of the country's defence requirements, although a significant amount of equipment is produced under United States licence. Their aerospace industry is currently developing a new support fighter, the FSX, which they claim will compete on both cost and performance with the most advanced foreign aircraft.

Japan's Self-Defence Forces consist of 243,000 personnel, out of a population of over 123 million. They are backed up by a formidable American force of about 47,600.

But across the Sea of Japan lies Vladivostok, principal base for the largest of the Soviet Union's four fleets, the Pacific Fleet, which consists of 82 major surface combatants, including two aircraft carriers, and 15 SSBNs.

But times have changed and the Tokyo government now realises that since Japan plays such an important role in the Western economic community its security interests are also inextricably linked to those of the West.

But across the Sea of Japan lies Vladivostok, principal base for the largest of the Soviet Union's four fleets, the Pacific Fleet, which consists of 82 major surface combatants, including two aircraft carriers,

To that end, Japan has been improving its Self-Defence Forces, especially its air and naval capabilities. For example, the government agreed in 1985 to increase its purchase

Striking a careful regional balance

of American F-15 Eagle interceptors from 155 to 187.

Japan has also tried to enhance the security arrangements with the US, which already has 120 facilities, with the Japanese contributing substantially to their upkeep. Japan, for example, agreed to the stationing of 48 F-16 fighter bombers at the Misawa air base in northern Honshu.

Article 9 of the 1946 Constitution renounces war as a means of settling international disputes, and there has been much debate on the proper level of self-defence.

But times have changed and the Tokyo government now realises that since Japan plays such an important role in the Western economic community its security interests are also inextricably linked to those of the West.

Michael Evans
Defence Correspondent

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Japanese investment in Britain is over £3bn

Direct investment figures show that Britain is the preferred location in Europe for Japanese offshore investment.

By last year, the UK was home to 1,048 individual Japanese projects with a total investment of \$3,141 million.

Japanese companies now operate about 50 production sites in the UK and employ about 12,000 people, with another 2,000 jobs expected to be created by this autumn.

According to statistics from the Invest in Britain Bureau, the biggest single industry represented is electronics, accounting for 19 production sites and 5,600 workers.

The biggest concentration is in Wales, home to Sony's TV set factory at Brigend and Hitachi's at Aberdare, which together employ 2,000 people.

The development that created most controversy, however, and proved to be the biggest Japanese investment in the UK, was the Nissan car assembly and future production plant at Washington, Tyne and Wear. This marked

the first significant incursion by the Japanese into UK engineering production, as opposed to consumer goods or electronic-based products.

The IBB's figures highlight the North-East as the main centre for Japanese engineering investment. About nine Japanese companies are involved, employing 4,750 people, of whom about half work for Sumitomo, formerly Dunlop's tyre operation.

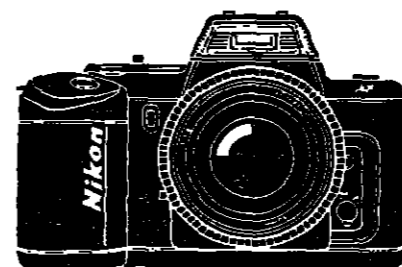
Elsewhere, about 17 small Japanese-owned companies employing about 1,500 people are making a wide variety of products, including cigarette lighters, car seats, lenses and printing plates.

In financial services, there are now 43 Japanese banks, 29 securities houses and two joint venture banks with offices in London, together employing 4,580 staff — 8.5 per cent of all the people employed by foreign banks and securities houses in London.

Edward Townsend
Industrial Correspondent

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Eastern idyll: The rural beauty of Shinjuku Park in Tokyo contrasts with the city tower block skyline

Wanted: more creative minds for the future

The Japanese education system, the very basis of the country's economic success, appears at first sight to have little to fault it, writes David Watts.

Its basic standards are arguably the world's highest, and the standard curriculum generally produces a student with a good, general education ready to be turned into a life-long soldier of industry by a company's in-house training system.

But the one-size-fits-all approach has been under criticism for some time, and no prime minister in recent years has done as much as Yasuhiro Nakasone to investigate how it might be changed to suit the Japan of the 21st century.

This will be a country needing more creative individuals to take a lead in developing scientific breakthroughs for industry to exploit, rather than buying in foreign expertise, as has been the practice in the past. Japan needs to promote the flash of brilliance in the firmament of steady competence.

In 1984 Mr Nakasone set up a Provisional Council on Education Reform and closed down the Ministry of Education's own advisory Central Council on Educa-

tion, thus engineering the taking over of the whole education reform issue by his own office.

This immediately raised suspicions that reform was likely to follow Mr Nakasone's own view that there was nothing much basically wrong with the pre-war education system's moral and nationalistic values.

Many in the ruling party would like the final draft to include some



recommendations on moral education, while those on the left have been alarmed that the reform body says Japanese culture needs to be preserved.

To the more conservative elements, a call for the greater individualism needed to produce the more creative individual is too much like a move towards western educational values.

The liberals and the left-wing teachers' union are concerned because the curricula and textbooks are controlled by the Ministry of Education in the state primary and junior high schools, and are under ministry "guidance" in senior high schools. Although that may produce a

certain "cooky-cutter" similarity among the students, it also ensures greater uniformity in the quality of the material and the end product than in many western countries.

The Japanese public wants to change a system that in recent years has brought an unacceptably high rate of student suicides, and leads to competition so intense that it robs children of any notion of play for much of their youth.

Indeed, the only relaxation comes once university entry has been gained, because the system makes universities hard to enter but uniformly easy to graduate from. The university attended is the principal criterion by which a job applicant is considered, not what the individual achieved while there.

This helps to create almost brutal competition to enter the "name" universities, such as Tokyo.

It has also built up the crammer schools into an \$70 billion yen (£3.7 billion) industry. These schools cater for those who failed their university entrance at the first try, as well as junior high and primary school students.

Even a good kindergarten may require some pre-entry cram training before accepting pupils.

The ant that often works a little too hard

Aesop's Fable of The Ant and The Grasshopper is a favourite among the Japanese, as a story with relevance to both the past and the future, writes David Watts.

The Japanese national psyche tends to that of the ant—hard-working, frugal, putting a little aside for the hard times. The grasshopper has always been something to be scorned—shiftless, living only for the present.

But to get along with the rest of the world, and relieve some of the international pressures caused by their export success, many Japanese recognize that they must emulate the characteristics of both insects.

All work and no play does not make Sato-san a particularly efficient consumer of foreign products and holidays. Besides, he should be rich enough now to spend more time living like a grasshopper, enjoying life and giving greater value to the less structured lifestyle of the creative individual.

The feeling that they do not enjoy a quality of life commensurate with their country's wealth is nothing new in Japan. But the strong sense of duty and the work ethic have made people suppress many of these feelings until recent years.

All that is now changing, and since 1983 surveys by the prime minister's office have shown that the top priority of the Japanese is on increased leisure time, with better housing in second place. Diet, durable goods and clothes take the succeeding places.

One of the most revealing pieces of evidence is a comprehensive survey done by the Hakuhodo Institute of Life and Living which looked into the six basic prevailing lifestyles. The institute found that 30 per cent of the population are what they call The Good Old Japanese, very concerned with what others think.

The Silent Majority, who change direction only with the group, make up the biggest section, with 52 per cent. The Confident Middle Class, who support the notion of individuality, but not to the point of endangering their comfortable, middle-class lifestyles, are 1 per cent. Style-orientated consumers who are not afraid to offend their neighbours a little make up 3 per cent.

The Do-it-My-Way Japanese, who don't care what anybody else thinks, are 5 per cent, and the wealthy, confident trend-setters, who don't have to worry about what anyone else thinks, sit on top of the pile at 2 per cent.

Social commentators confirm that Japan and the Japanese are becoming as diverse as any wealthy western society. But the social and personal constraints on expressing oneself in an individual way are still strong.

There may be widespread acceptance of a shorter working week, for example, but the reality is that only 6.1 per cent of the work force has a five-day work week. And that figure has not shown any sign of increasing consistently. The gap between desires and realization is still large.

The most striking examples of a new, more relaxed breed in Japan are the New Human

Beings—young people who feel much less bound by commitments to company and country. They do not really equate with the Me Generation in the West, but they are happy to put a personal appointment before a job assignment, or a holiday before a family commitment.

The campaign to get people to take more time off work has been directed by the prime minister's office for some years. But the value of such urgings is dubious at best.

In his latest report, Haruo Maekawa, the former governor of the Bank of Japan, again urges a reduction of the working week from the standard 48 hours. As such statements are clearly intended to appease a foreign audience many Japanese would view them as *tatemae*, something said for the sake of good form or to make the hearer feel comfortable, rather than a *honne* statement revealing the speaker's true feelings.

At the urging of the government, ministries are considering a reduction in their working hours, but they have so far not followed the lead of banks, which now close two Saturdays a month. Some of the big corporations have followed suit, as is evidenced

by the larger number of people in casual clothes riding the city tubes on Saturdays. But the regular financial burdens of the ordinary household still militate strongly against families or individuals taking too much time

off their jobs. Even though most wives work at least part-time, it is often to help pay the onerous costs of education.

The enormous emphasis on education and the time devoted to it, time that in western countries might be spent in leisure activities, starts as soon as the child is ready for primary school or even kindergarten, so important is it for the child to start with the "right" primary school, leading in turn to the most prestigious high schools and universities.

That means that from an early age the child will spend long hours in the evenings and at weekends in a "cram" school, whether or not the child's scholastic level requires it.

All the other children do it, and no one wants to be left out.

Family apartments may be company-owned or subsidized, and tiny, but though millions of Japanese want very much to live in a house there is an ambivalence about their housing. It has been sharpened by the mistranslated jibe of some years ago that characterized Japanese homes as "rabbit hutches".

Perhaps compared with western homes some Japanese housing is inferior. But those small houses tend to be confined to Tokyo and Osaka. Other parts of Japan have houses every bit as commodious as those in other countries.

Besides, for the Japanese their homes have historically epitomized their spare, aesthetic tradition. "We see the world in a small room," says a friend. "Perhaps what we should aim for now is 'rabbit castles,'" he adds, only half joking.



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Problems of living with a current-account surplus



The economic balancing act

Economic policy in Japan, under the guidance of the Minister of Finance, Kiichi Miyazawa, continues to tread the often precarious path between international pressure and domestic necessity.

Occasionally over the last year, Japan has been in great danger of tripping up. But the latest economic package, announced in May and worth some 6,000 billion yen (about £25 billion) has been well-received.

The package, the lion's share of which was in additional public spending, included 700 billion yen on housing construction, 450 million yen on disaster relief and 250 million yen on road-building. The expansion plans, worth 1.8 per cent of Japanese gross domestic product, also involved 1,000 billion yen of income tax cuts, to take effect this year.

Though Japan's trading partners had been prepared for an additional stimulus, the size of the package was 1,000 billion yen more than had been expected.

As always, the latest economic policy move from Japan was timed to achieve maximum international effect

The yen's rise strengthens the trade position

ahead of the Venice economic summit. But, in the way of these things, Japan has not yet reached the stage where its international trading partners are ready to admit that enough has been done.

The cause of this, of course, is the country's huge current-account surplus, which totalled \$86 billion (about £53 billion) last year, and is predicted to narrow only slightly, to \$75 billion, this year. Japan's problem is that the current-account surplus will be slow to unwind.

The effects of the dollar's fall against the yen - from an average of 240 yen in the 10 years to the end of 1985 to a level closer to 140 yen now - will take a considerable time to come through. Indeed, the initial impact of the yen's rise is to produce a strengthening of Japan's trade position, al-

ready given an unlooked-for help by the fall in oil prices. This is because, in dollar terms, a stronger yen has the effect of cutting the value of imports and raising the value of exports. Only later, as the competitive advantages to other countries accrue, and Japan's exporters suffer, will the external surplus begin to come down significantly.

Before that happens, the squeeze on Japanese industry may have to intensify. Dr Paul Chertkow, a currency forecaster at the stockbrokers Hoare Govett, predicts a further dollar fall to 120 yen.

In the meantime the Japanese economy, which appears to be doing very well indeed from a glance at the trade accounts, has been suffering. An analysis by the US securities house, Goldman Sachs, points to the sharp differences in the performance of the various sectors of the Japanese economy since the yen began to rise strongly against a weak dollar in 1985.

According to the analysis, this "duality" in economic performance is directly attributable to the uneven impact of the yen's strength. "On the one hand, the industrial sector has been hard-hit by the strength of the yen. On the other, domestic sectors of the economy have actually benefited from the side effects of a strong currency."

But it is Japanese manufacturing industry, now experiencing a contraction in economic activity of between 2 and 3 per cent a year, which has been making all the noise in Japan, making things uncomfortable for the government. And it is the difficulties faced by the manufacturers that have contributed to a rise in the unemployment rate to 3 per cent, which is high by Japanese standards.

The big manufacturers have been voting with their feet and investing abroad, in order to mitigate the effects of the yen's strength and the threat of protectionist action against Japanese goods. In contrast, the big department store groups and supermarket chains have posted record

profits, as low inflation has encouraged consumers to spend.

The balance has clearly shifted in Japan. The old picture of the export-based industries racing ahead, while domestic industries lagged behind, held back by sluggish home demand, is changing.

In many ways, the yen's rise is bringing about what last year's Maekawa report on the structure of the Japanese economy recommended - a shift from export to domestic bias in the Japanese economy as part of a process of "Westernizing" Japanese economic behaviour.

But the Maekawa framework involved important changes in economic policy and, as the experience this year of Yasuhiro Nakasone, the Prime Minister, has shown, such changes are far from easy to implement.

Most observers agree that a reform of the tax system would help reduce the trade surplus. At present the system is skewed towards the encouragement of saving and provides little incentive for

Raising taxes to pay for reductions will be a real feat

spending. It also includes all the paraphernalia of special taxes.

The Japanese government is officially embarked on a programme of tax reform designed both to simplify and to fit the balance of the tax system. The difficulty is that, under the self-imposed fiscal constraints under which successive recent Japanese Prime Ministers have operated, the tax reform programme has to be neutral in its effect on revenues.

But raising taxes in some areas to pay for reductions in others will be a considerable political feat. Mr Nakasone is still winning from the storm of protest and eventual parliamentary defeat that greeted his proposal to introduce a 5 per cent sales tax.

David Smith Economics Correspondent



The Ginza district of Tokyo. Besides being a financial centre in its own right, Tokyo fits in neatly with the timespan embracing New York and London, thus giving it a vital role in international finance.

Why western companies are looking east

Japan as a country and Tokyo as its capital have arrived on the world financial stage with a bang, and it has all happened in less than 17 years. Today, Japan is the largest creditor nation in the world.

The Tokyo stock market, measured in terms of market capitalization, is bigger than Wall Street. Figures for volume of business traded in the bond, securities and banking fields read like international telephone numbers. And because the mountain of Japanese investment money seeking a home is still growing, foreign institutions - despite some tremendous odds - still knock on Tokyo's doors demanding to be let in.

Besides being a financial centre in its own right, Tokyo fits in neatly in the timespan that embraces London and New York, thus allowing global securities trading round the clock. It is, however, a city, and a country, which can be frustrating for western businessmen.

Tokyo is, nonetheless, a market and a centre which offers a host of opportunities, especially as the authorities have admitted that they want to resolve three major issues: the further deregulation of Japan's financial markets; how to improve access to its markets for foreigners; and the need to expand the use of the yen in world financial markets.

The Tokyo Stock Exchange, the most important of the eight exchanges in Japan, has 93 corporate members but only six foreign firms, granted entry in December, 1985.

Three British firms (Kleinwort Benson, J. Henry Schroder Wagg, and Baring Brothers) were earlier this month given indications they would be granted entry next May. At face value this is progress, but it has been a long, slow business.

But whereas London broke the bonds with history and last October witnessed its own financial revolution, nobody should expect a "Big Bang" in

Japan. Deregulation within Japanese financial markets, which in traditional fashion will be brought about by consensus, is going to be a slow affair.

Last month Japan's Ministry of Finance granted 17 foreign licences, including 10 to British firms, to act as investment managers in the Tokyo market, so opening up one part of the financial sector to foreigners.

By contrast, there is no pressing rush by UK and other foreign banking groups to get into Tokyo. Today, an estimated 77 foreign banks operate in Japan, though for many their corporate presence in Japan can be no more than a shop window.

The foreign banking community acknowledge that they are operating in a very foreign environment, that it could take years before they can hope seriously to tempt corporate accounts away from the traditional Japanese banking groups.

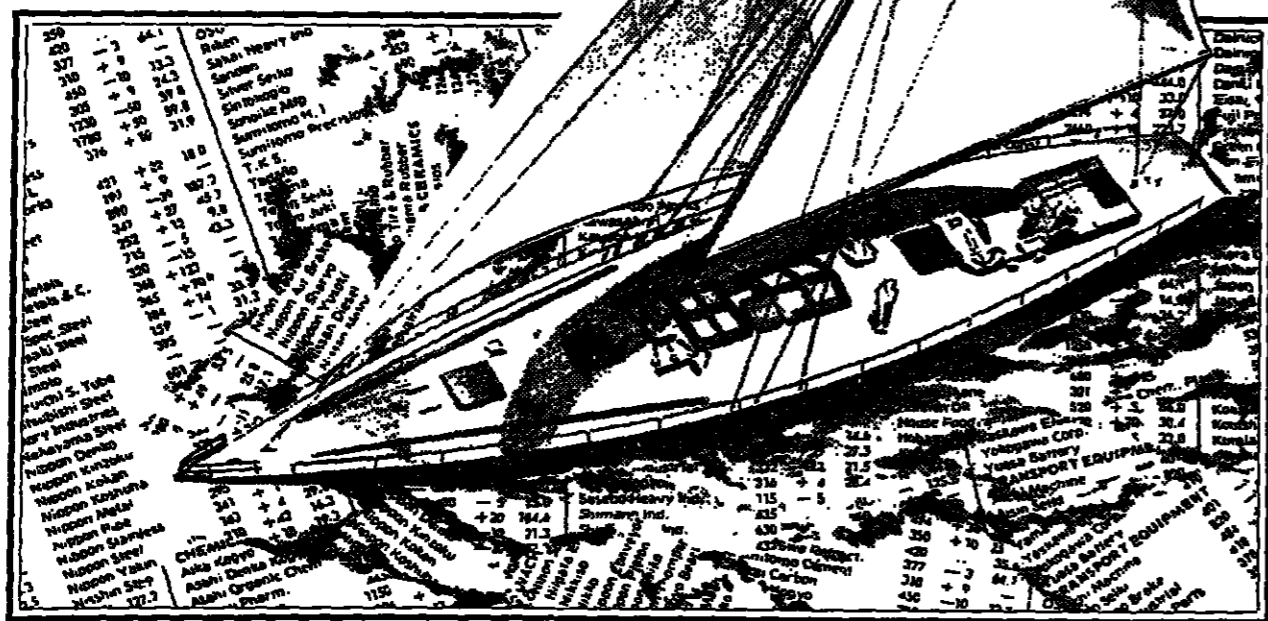
The desire to get into Japanese financial markets will not, however, diminish. The Japanese have one of the highest savings ratios in the world - with an estimated 17 per cent of personal incomes being tucked into savings avenues, compared with a 3 per cent to 5 per cent ratio in the United States and an estimated 7 per cent to 12 per cent ratio for Europe.

In 1986 capital outflow from Japan totalled \$132 billion, and net purchases of foreign bonds topped \$93 billion. Tokyo is the home of the world's largest securities firm, Nomura, and Japanese companies dominate the world stock exchange table for market capitalization. Tokyo cannot be ignored.

The irony is that while Japan is one of the three principal markets in today's financial world, its economy is strong, and that its currency is hard, the yen is not yet an international reserve asset.

Colin Campbell

New Horizons



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FOCUS

Painful future lies ahead for the modern powerhouse



Japanese industry, the powerhouse that has also been the catalyst for so much industrial development around the world, now faces a future more uncertain than for many decades.

Without careful restructuring it could be suffering from unemployment on a grand scale within a few years.

The causes are international as well as domestic. Slower world economic growth, changing exchange rates and the impact of the United States' huge budget deficit are causing pain for Japan.

But critics of the Japanese system also claim that the country's previous preoccupation with so-called "laser" exporting — a company focusing all efforts on one export product — and its alleged unwillingness to open its own doors more fully to imports, will rebound on industry.

Within Japan, economic growth is faltering, largely because of the high value of the yen, particularly against the US dollar. In 1973-74, the time of the first oil crisis, Japanese growth fell to below 6 per cent and unemployment almost doubled to one million. Last year the economy grew by less than 3 per cent and the number of jobless is now two million.

The country's export dependence is the reason for its industrial aggressiveness. Consider that Japan exports 90 per cent of its video cassette recorders, 89 per cent of its watches, 82 per cent of its 35mm cameras, 81 per cent of its microwave ovens and cash registers, and 80 per cent of its copying machines. It is the classic example of "export or die".

But in the 12 months to July

1986 the Japanese currency rose in value against the dollar from 242 yen to 159 yen (now it is 143 yen) and wiped out the 1.43 trillion yen of 1986 export income, the equivalent of the entire 1985 earnings of the 13 Japanese car makers.

The dilemma is acute. Big price rises are out of the question for the car producers, given the export restrictions and fierce competition, and the fact that producers in countries such as South Korea have been untouched by the fall of the dollar.

Kaneo Nakamura, president of the Industrial Bank of Japan, says that given the sweeping deflationary impact of the rising yen, "Japanese corporations face an urgent need to promote structural reform within their respective organizations".

It is certain, however, that the dynamic Japanese industry will not just await world developments. Time is running out and the way in

The yen is posing an acute dilemma

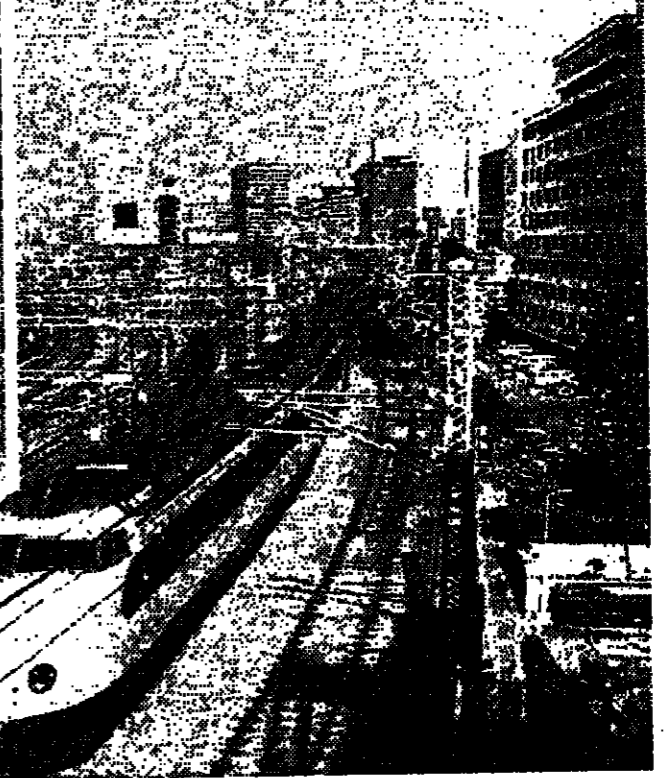
which Japanese business bounces back, as most assuredly it will, could also transform the long-term product and development strategies of companies throughout the West.

Mr Nakamura and other observers now believe that the punishingly high level of the yen will dictate the future of many Japanese firms. But there is also clear evidence that corporations are beginning to develop new strategies aimed at producing higher value-added products and diversifying their operations.

Particularly worrying for Britain is its abysmal record of research and development spending is Japanese industry's much increased research and development cap-



Protected peasant: a worker in one of the paddy-fields which still dot the landscape. Japanese farmers are inefficient, high-cost producers, but they are protected against competition from abroad.



Shinkansen: a punctual departure from Tokyo station by Bullet train

Overseas markets lure the billions



The direct counterpart of Japan's huge current account surpluses has been a rapid build-up in its overseas assets and, in particular, a sharp increase in holdings of American financial assets, writes David Smith, Economics Correspondent.

Figures released in Tokyo last month showed that Japan's external assets rose to a record \$180.4 billion (£110 billion) by the end of last year, a rise of \$50 billion on the end of 1985. The figures make Japan easily the world's largest creditor country, followed by Britain and West Germany.

Japan's net external assets represent a mirror image of US indebtedness. At the end of 1985, the US owed \$107.4



Catalyst for progress: the Mazda car company in Hiroshima

billion overseas. Last year, this probably increased to around \$200 billion. It is no surprise, therefore, that much of the overseas portfolio investment by Japan has been directed to Wall Street and, in particular, US government bonds.

Last year, Japanese financial institutions bought foreign bonds worth a net \$93 billion, the majority of them US Treasury bonds. As recently as 1980, net purchases of bonds overseas by Japan totalled just \$3 billion.

According to an analysis by American Express, Japanese financial institutions have focused on government bonds because they have adopted a cautious approach to foreign financial markets.

But increasingly, Japan is looking to equity investment overseas, evidenced by the strong interest in Tokyo in Britain's privatization issues, such as British Gas, Rolls-Royce and British Airways.

Last year, only \$7 billion was invested in foreign equities by Japanese institutions. But already this year, there are signs of a rapid acceleration. In the first quarter, investment in overseas stock markets stepped up to an annual rate of \$18 billion, while the rate of investment in foreign government bonds was unchanged on 1986, at \$93 billion.

One surprise, to outside observers of the Japanese financial scene, is that the pace of overseas portfolio investment has been maintained, in spite of the fact that, because of the rising yen, currency losses on such investments appear to be virtually guaranteed.

Before each quarterly refinancing by the US Treasury — when another set of bonds is issued to cover the US budget deficit — there is always a scare running through the US markets that this time, perhaps, the Japanese will not come in, effectively leaving the Americans high and dry.

But so far at least, it has not happened. And it is not difficult, looking a little deeper, to see why.

The Japanese are tremendous savers, encouraged by a tax system which encourages saving. The weight of this saving, when invested in the domestic financial markets, has helped to push the total capitalization of the Tokyo

Learning to live with a currency loss on paper

stock market higher than that of Wall Street, and far above London.

But in spite of this, there remains surplus money to be invested, and the natural tendency is for this to find its way overseas, as the logical counterpart of the current account surplus.

The Japanese insurance companies and pension funds have learned to live with currency losses on paper because, in most cases, they have made a long-term commitment to the foreign markets in which they have invested. This is underlined by the presence of the big banks and securities houses in all of the major financial centres around the world.

At the end of last year, Nomura Securities International and Daiwa

Securities America were the first Japanese houses to be admitted to the club of primary dealers in US government bonds.

The Japanese securities houses have established an important presence on Wall Street, providing the channel for Japanese investment in the US financial markets. Increasingly too in London, the Japanese have established an important foothold, although they are not, as yet, included among the 27 market-makers in British government securities.

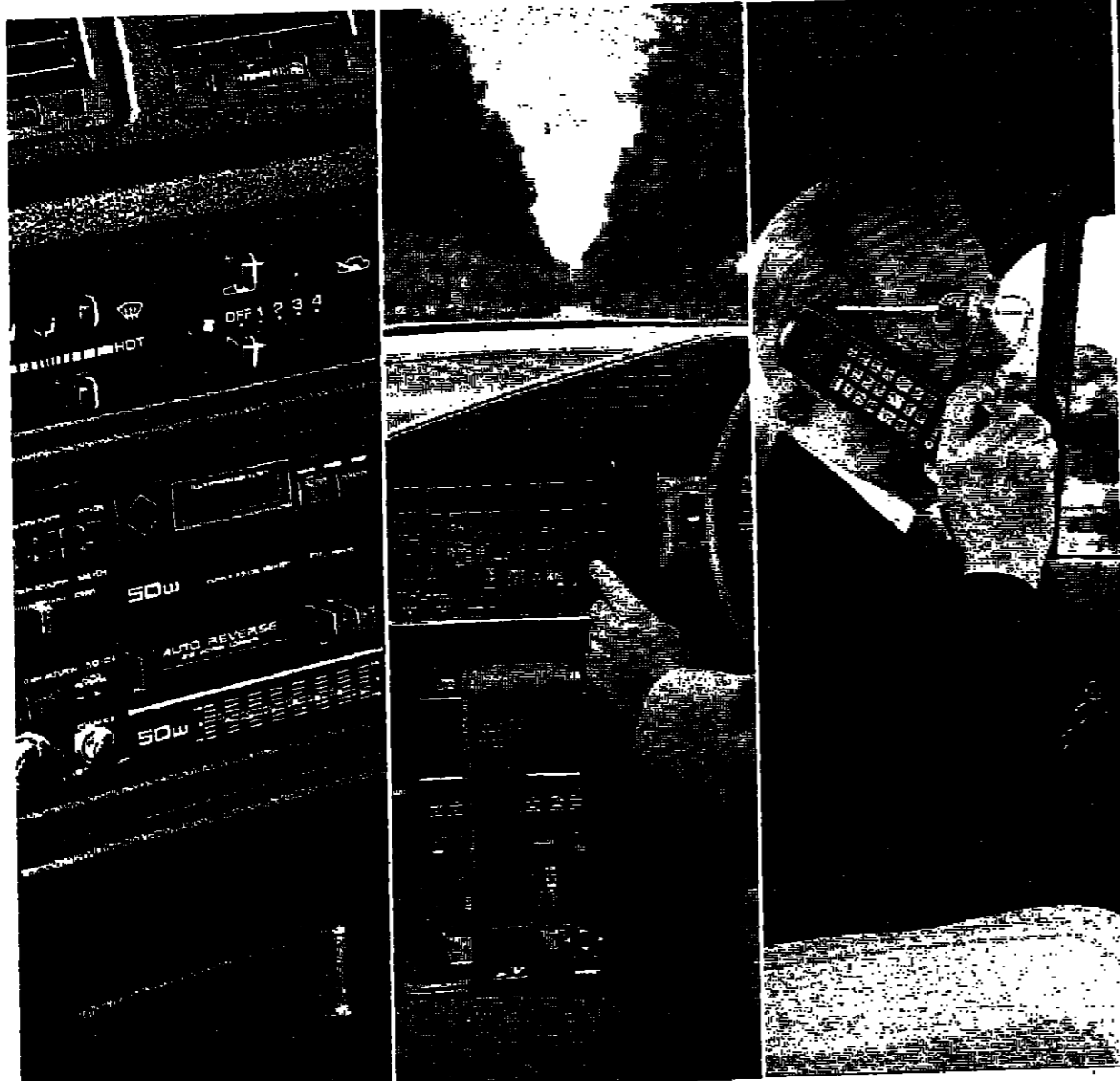
There remains the fear that the Japanese, who have been mainly responsible for allowing the US to run large budget and trade deficits, will not always be willing to pursue the role of lender to the world on unfavourable terms.

This year's rise in yields on the US bond market occurred partly in response to the fear that returns had to be sufficiently attractive to ensure continued Japanese inflows into the United States.

It is possible that Japanese action to reduce its current account surplus, helped along by reform to produce a shift in behaviour away from the current over-emphasis on saving, could produce a temporary vacuum in the international financial system in which outflows of capital from Japan dry up before the US has corrected its budget deficit.

For the moment, however, the Japanese appetite for investing in overseas financial markets shows no sign of abating.

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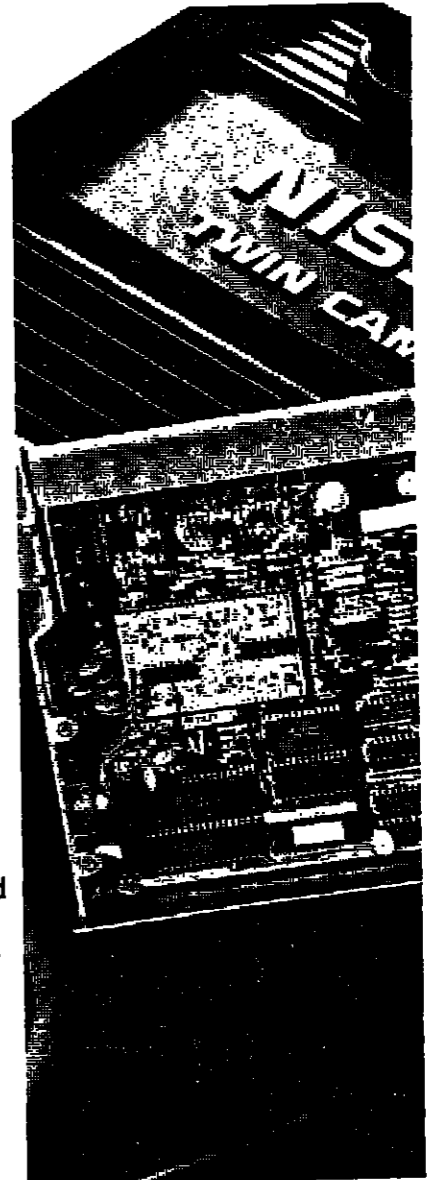
RECENT ADVANCES IN CAR ELECTRONICS TECHNOLOGY HAVE BEEN REMARKABLE. THEY'VE NOT ONLY IMPROVED BASIC FUNCTIONS SUCH AS ENGINE CONTROL, THEY'RE NOW BEING SEEN IN MAN-MACHINE INTERFACES PROVIDING MORE COMFORT AND OPERATING EASE, AND EVEN IN COMMUNICATIONS WITH THE SURROUNDING WORLD. DOWN THE ROAD THERE ARE THINGS EVEN MORE EXCITING.

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HITACHI Hitachi, Ltd. Tokyo, Japan

Threats change a trading policy

ANGLO-JAPANESE RELATIONS

Japan's perennial surplus on visible trade with Britain rose to £3.7 billion last year, much more than total British exports to Japan. The rising yen and import promotion will reduce but not fundamentally change that for years ahead.

In a world of multilateral trade, in which Britain has been in overall surplus for most of the last decade, that should not matter. So long as it persists, however, trade relations between the two countries will be vulnerable to periodic outbreaks of political hostilities in which Japan is endemically cast as the scapegoat for the ills of British manufacturing industry.

A particularly virulent strain of the disease surfaced this spring in the populist atmosphere of the run-up to a general election.

It was triggered, accidentally, by the British Government's routine support for a bid by the recently privatized British-based multinational Cable & Wireless to win a leading minority role in the franchise to run Japan's alternative international telecommunications system.

When the Japanese industrial establishment closed

ranks against the bid behind the Ministry of Posts and Telecommunications, C & W resorted to loud political lobbying, winning a personal intervention by Mrs Thatcher with Yasuhiro Nakasone, Japan's prime minister.

That proved crucial. Once Mrs Thatcher's intervention, and its lack of effect, became known, the apparent rebuff was derided by the Labour Party. Government and Opposition started a bidding competition as to who could take a tougher stance against Japanese intransigence.

The immediate issue was unreal. It would be a courageous gesture of great value to free trade relations for Japan to allow a foreign operator to play a leading role in liberaliz-

Concessions made under pressure

ing its telecommunications system. To miss the opportunity of such an initiative would, however, hardly constitute a blatant case of the hidden protectionism which Japan's trading partners blame for trade imbalances.

Once the issue was joined, it nevertheless became the focus for other cases where there were negotiations over entry of British service firms into Japanese markets. Oddly, the

more genuine current British complaint, against the protective effect of Japan's liquor taxes, which have long discriminated deliberately against Scotch whisky imports, played relatively little part in the row.

Through excessive caution, reputedly from the Finance Ministry, Japan made compromise concessions on the liquor-tax regime too late in the day and the dispute is now formally before Gatt.

Both affairs could do lasting damage.

Concessions have now also been made to speed up entry of British securities firms and to bend Japan's rules separating banking from securities businesses to accommodate British and American banks.

Such last-minute concessions, made under pressure, encourage the claim (apparently confirmed by parallel US-Japan disputes) that the Japanese respond in trade negotiations only to heavy threats and discriminatory sanctions.

But a Japanese government now trying to take a lead in preserving open trade must take most of the blame if, instead, it finds itself continuously on the defensive against anti-Japanese trade rhetoric abroad.

This year's avoidable row could have more far-reaching effects in bolstering the protectionist tendencies of the European Community as a whole.

Certainly France, Italy and the European Commission have seized on the opportunity to tempt Britain into the camp promoting further artificial anti-dumping disputes, discriminatory actions and collective moves to manage EEC trade with Japan.

This would be most unfortunate. Until now, Britain and Japan have been natural allies in keeping markets open and Britain's Department of Trade has played a significant role in limiting Continental protectionism. Despite all the

well-known cultural differences, there is a natural affinity between island trading nations which have chosen to drive on the same side of the road. There has been more (if insufficient) personal interchange in recent times between the British and Japanese, not least through tourism, than with other European nations.

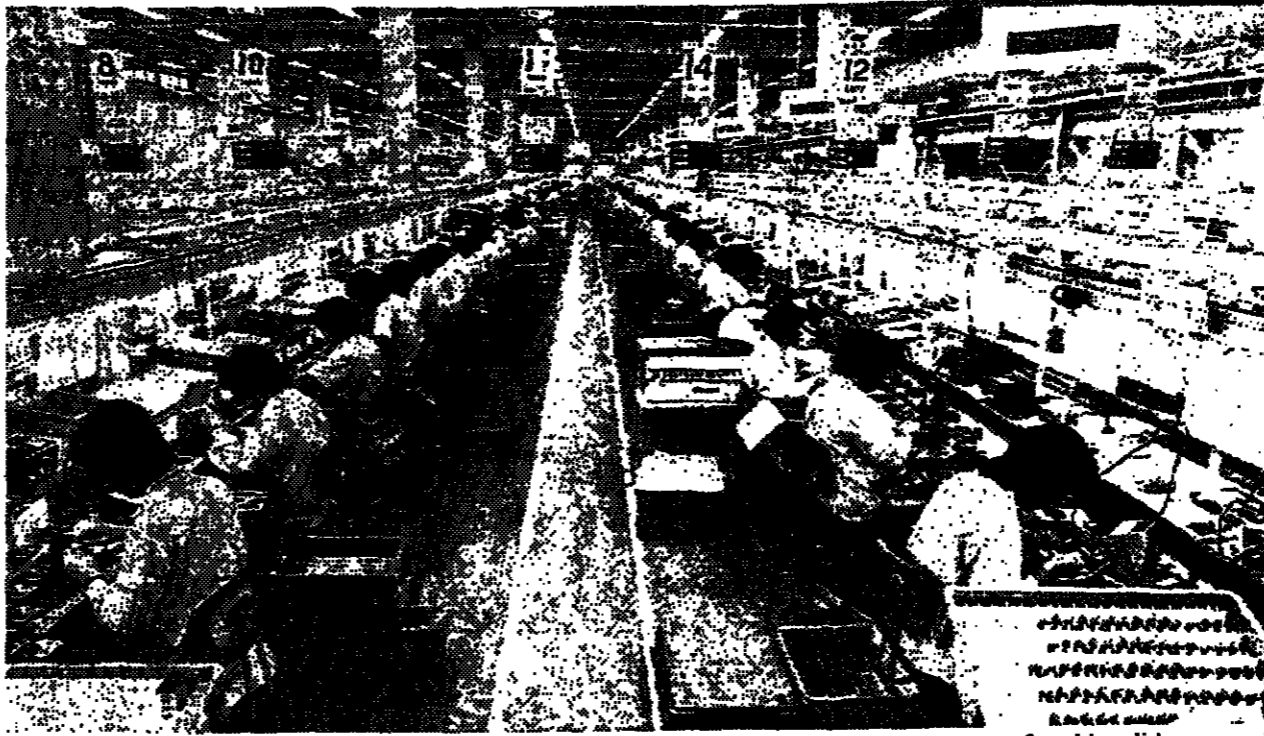
The British public acquired a taste for reliable Japanese consumer durables, which were often kept out of Continental markets, and provides a powerful consumer lobby for open trade.

This has brought substantial

mutual benefits. Japanese financial institutions have been welcomed in the City of London for many years, helping their international expansion. Now that Japan's surpluses have made them the main conduit for the world's free overseas investment capital, they have greatly helped London strengthen its position as the leading international financial centre.

Britain has also been the most natural location for Japanese industrial investment in the EEC, initially mostly in consumer electrical goods.

Japanese companies have



Two of the assembly lines for Sony Walkmans, destined to contribute to Japan's controversial trade surplus with Britain and other European countries

acted as a catalyst to improve British manufacturing management, through the improved morale in classed factories, through the spread of techniques such as quality circles to involve production

C & W affair was a salutary warning

workers in improving production methods — and not least through the voluntary introduction of single-union plans, no strike agreements and the attendant improved arbitration techniques for pay and other disputes.

These long-term bonds might be relied on to prove a stronger force than this year's somewhat artificial outburst of anti-Japanese jingoism — were it not for the European protectionist dimension.

As it is, the Cable & Wireless affair should provide a salutary warning both to the Japanese government and companies, and to all those in Britain who favour free trade and have taken for granted the advantages of closer economic commercial and industrial links with Japan.

Graham Searjeant
Financial Editor

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TOSHIBA

Shake-up in the lifetime jobs system

EMPLOYMENT

The big Japanese corporations have traditionally adopted a lifelong employment and strict seniority promotion system. The reasons for this are multiple.

Religiously speaking, Japan is a Confucian country where harmonious human relationships are considered most important; they are maintained by respecting a hierarchy dictated by age.

Sociologically speaking, it was not long ago that Japanese society comprised agricultural communities. Rice was grown with co-operative labour, and individual idleness might have led a whole community to starvation.

Demographically speaking, Japan is an overpopulated nation with meagre natural resources. If unconditional free competition had been allowed, half the population

Security, comfort and solidarity

would have starved. In order to survive, society was regulated by a system of promotion based on seniority.

The lifetime employment and seniority promotion system has provided the Japanese with security, comfort and solidarity. A man can work peacefully for one company all his life, be provided with fringe benefits such as bi-annual bonuses, vacation facilities and insurances, and retire with a pension.

Despite undoubted benefits, however, this system has bred negative elements as well. Lifetime employment deprives Japanese workers of the option to work for other companies, workers cannot move because no other company would accept them, and they would have to forgo their quite substantial pensions.

Circumstances have changed, however. During the 1960s and 1970s, when Japan enjoyed a remarkable level of economic growth which had never been achieved in world history, a great many new college graduates were hired every year.

But the world economy is saturated now, and no single country, even Japan, can continue to enjoy such a high growth rate. There are not enough respectable jobs to be given to all older employees.

The lifetime employment system does not allow Japanese companies to lay off or dismiss workers. What to do with unnecessary employees is now a serious problem for management.

Old and "unwanted" employees are called the "by the window tribe" behind their backs because they are left alone at their desks by the window with nothing to do but read papers or doze in the warmth of the sun.

The pressure for change comes from foreign companies and an ever growing number of joint ventures which operate on the free

competition principle, requiring different types of people from those traditionally appreciated by Japanese companies.

Such people have to be creative and innovative, flexible and risk-taking, qualities that have rather been frowned upon in traditional Japanese companies.

Financial analysts who are well versed in both eastern and western economic institutions are also needed. And rapid computerization requires yet another type — high-tech-orientated professionals.

At the same time appreciation of the yen calls for internationally minded, strategically orientated, creative people with vision and flexibility — and a great deal of exposure to foreign cultures.

Again, however, Japanese companies have been reluctant to train or encourage their employees to have such experience. Out of necessity, they send their personnel to their foreign offices for a few years, but being abroad tends to decrease the employees' prestige in their company and does not speed up promotion.

The traditional demand-supply pattern has already been affected. Young graduates have a new attitude to working for foreign firms. It used to be less prestigious, the implication being that it was not likely to be permanent employment. Today, however, it is highly regarded to work for IBM or CitiBank or GE.

But these foreign companies do not have the lifetime employment system or the strict seniority promotion system. Creativity is encouraged and options to move to other foreign firms are open. Since these foreign companies pay well, it is beginning to be considered fashionable to move from one to another.

"Head-hunters" have been approaching highly qualified professionals, convincing

New deal for professionals

them to leave their companies and all the fringe benefits to which they are entitled, including pensions, for other companies, be they foreign or Japanese, with higher compensation.

In response, leading Japanese companies have also started to hire mid-career professionals. Until now they have enrolled them on a separate track from regular employees, with a different wage system.

But in September last year Mitsubishi and Mitsu Bank, two of Japan's largest, announced in succession that they would begin to recruit middle management as regular employees.

This formal recruitment by Japan's leading companies of elites in mid-career will extend quickly to other institutions in Japan, shaking up the long established lifetime employment system.

Jiri Tokuyama
Ambrosini Consulting Group,
Tokyo

FOCUS

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Bronze of ages

The Great Buddha at Kamakura, 30 miles from Tokyo, was cast in bronze in 1252 and is the second largest in Japan. It is one of many monuments inspired by a religion imported to Japan in the sixth century

Market opens for quality goods

In an hotel bar a group of Britons traded success stories over glasses of beer. They were among the latest in a steady stream of representatives of small and medium British companies trying to find small but lucrative niches in a market where the quality and prestige of European goods is respected, writes David Watts.

They included a car designer, furrier, a man from a specialist engineering company and a member of a ceramics firm, all taking advantage of the strong yen to promote their wares with offers many Japanese are finding difficult to refuse.

Europeans are benefiting much more from the advantages that the Japanese market now offers than is the United States, despite the massive devaluation of the dollar against the yen, which, in fact, has brought much less advantage to European firms than to American.

The British businesses represent precisely those sectors in which trade between Japan and the European Community is increasing fastest, those with higher added value.

Office machinery, medical products, iron and steel, clothing and cars are strong European exports, with the latter the most visible sign of Japan's willingness to import more.

BMW and Mercedes are the two most visible European cars, with Jaguar making a strong comeback after some years in the doldrums caused by a reputation for poor quality. The new Honda-built Rover for the domestic market is now being promoted on Japanese television and in the press.

Jaguar is starting to make the sort of strong commitment to the market that is necessary to succeed. It has established its own subsidiary company instead of dealing through agents and has learned that a demonstrated long-term commitment to the market goes a long way, particularly in consumer durables, which need maintenance. That kind of



organizational determination is needed to get into the Japanese market and to overcome what are still the major barriers to foreign imports — the distribution system, an exceedingly strong loyalty coupled with the belief that Japanese products are better than anyone else's, and a consumer movement militantly opposed to any increase in what they call shoddy foreign products.

Of these barriers the distribution system is among the most formidable, with imports going through seemingly innumerable layers of middlemen and distributors before reaching the shops.

Many European luxury consumer imports are inherently high-priced. Because of the nature of the Japanese

High prices give an air of exclusivity

market, with a strong tradition of seasonal gift-giving, both in winter and summer, in which one person's regard for another matches the size of the price tag, price-cutting is not necessarily an advantage, though there would no doubt be widespread acceptance of lower prices for imported Scotch whisky.

In a survey carried out last year by the Economic Planning Agency, a bottle of Chivas Regal in Japan cost 10,000 yen (about £42.40) while it sold for the equivalent of 3,530 yen (£15) in London and 2,969 yen (£12.60) in Washington. Scotch whisky was not alone among imported products not reduced in price in spite of the weakening of the yen.

There are various reasons for this: distributors often fear that sizeable price

cuts in their lines of what the consumers see as European exotica would deprive them of their air of exclusivity and destroy the market. A case in point was when parallel imports of cut-price Scotch began, and the result was a decline in demand. Also, some whisky importers would rather spend any increased revenue on promotion and advertising than price-cutting.

Six months after the yen started to appreciate, a survey by the Ministry of International Trade and Industry showed that only four items — shirts, sports shoes, watches and tennis rackets — had significantly reduced in price.

A second survey at the beginning of this year showed cuts in 14 product areas and small cuts in 15 others.

Two other factors militate against further expansion of imported consumer goods. The phenomenon of small shops carrying the products of a single manufacturer is still common, particularly in electrical products, a practice which a foreign firm could scarcely hope to repeat.

The second factor is a law which limits the expansion of big stores. Such expansion is subject to the approval of the local chamber of commerce which, having a majority of small shopkeepers in its membership, is unlikely to look with favour on either the expansion of floor area or the building of new stores.

Despite these pressures the Daie supermarket chain has moved aggressively to promote the sales of cheaper imported products, featuring, at one time, a Marks & Spencer corner in one of its principal Tokyo stores. The section was closed after the imported clothing items proved to be about one year behind fashions in Britain.

If Japan is to expand its domestic demand through increased imports, clearly both exporters and importers have a good deal of progress to make.

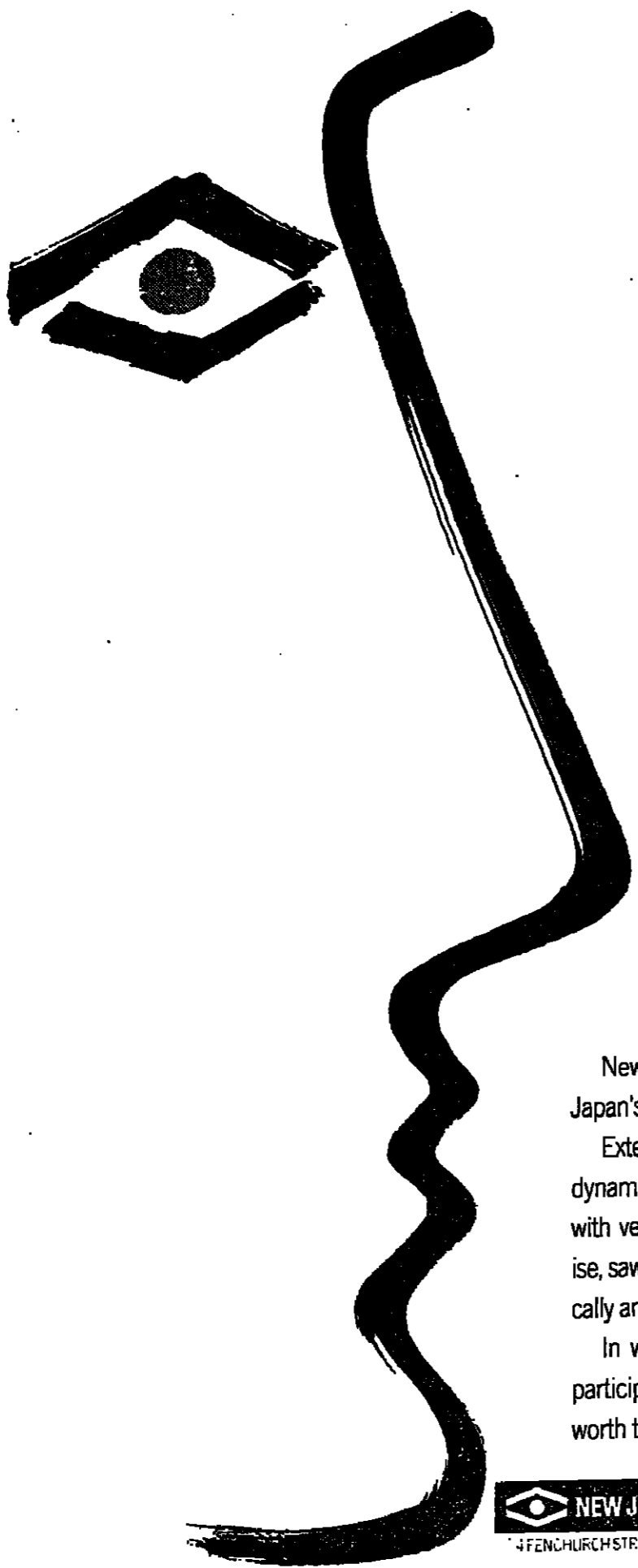
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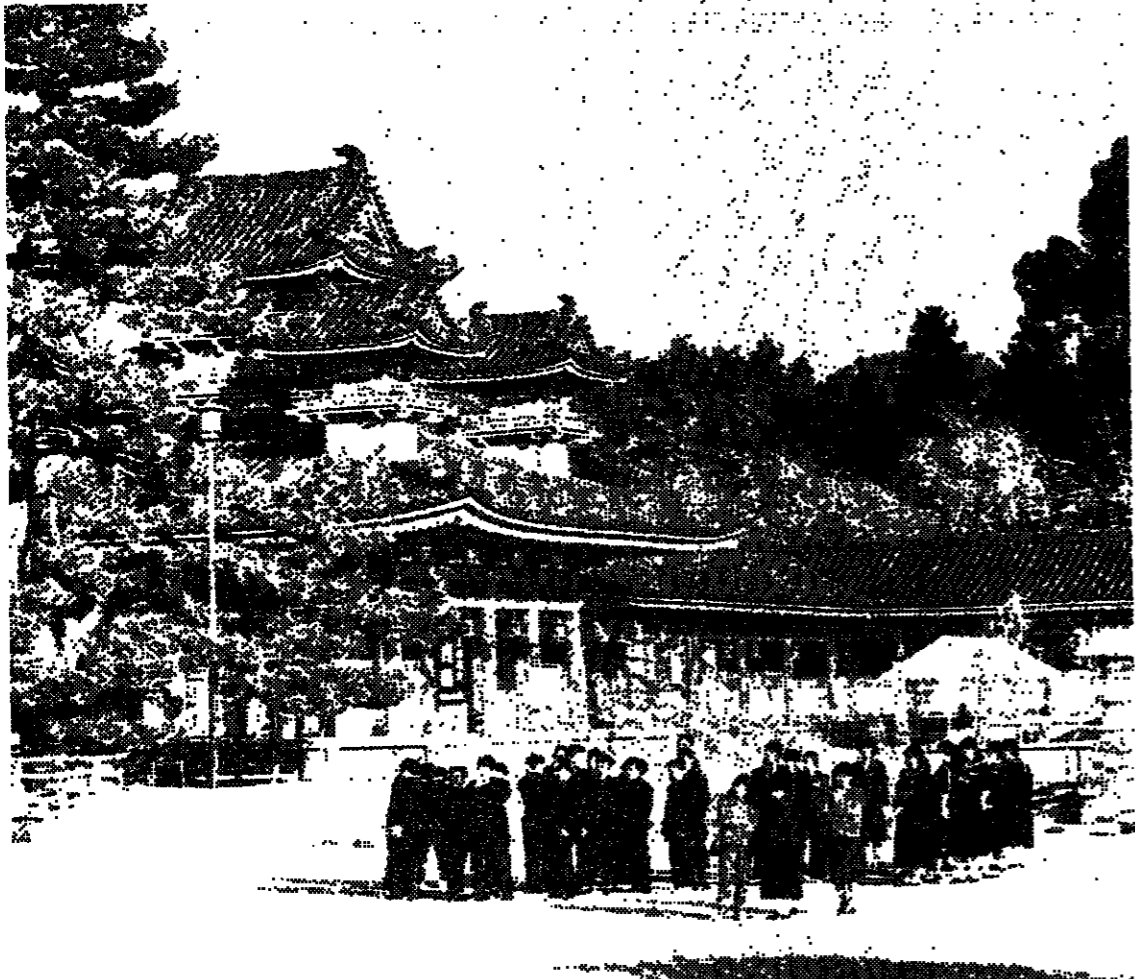


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The Heian shrine: a favourite of all visitors to Kyoto, the capital of Japan in 794 and now a middle-sized city

Inns of the tourist happiness continue ancient traditions

TOURISM

Sitting on the floor on a tatami rush mat, and being served an array of delicacies by a smiling lady in a kimono, is one of those unforgettably exotic experiences. The room is decorated in the traditionally restrained Japanese style, with sliding paper screens, and has a veranda looking out over a tiny garden, where water trickles from a bamboo pipe.

Not all Japanese hotels are like that. There are any number of western-style hotels which are similar to those in Europe or the United States. But it is a sign of the Japanese determination to retain their own national identity that the *ryokan*, or Japanese-style inns, continue to flourish.

My room, at a *ryokan* in Kyoto, the former imperial capital, was in no way old-fashioned. It was air-conditioned, and had a telephone and a colour television set in the corner. But the old ways were retained, and that meant that after dinner, served on the low table in the room, a futon mattress was laid out on the floor for me to sleep on. It was removed again in the morning.

Seen from a distance, Japan can appear quite daunting — the inscrutable language, the teeming millions in the cities, the strangeness. But for all its crowds, or perhaps because of them, it is a remarkably orderly, well-organized country, with a fascination of its own.

It is also closer than it was. Since last year

Japan Air Lines has had non-stop flights from London to Tokyo, crossing the vast expanses of Siberia, and it has now been joined by both British Airways and British Caledonian. So it is possible to fly from one extremity of the Eurasian continent to the other in 11 and a half hours, with the benefit of a Japanese meal on the way.

Tokyo is bustling, crowded and at night brightly lit — a well-dressed and prosperous city, where pedestrians wait for the lights before crossing the street. For those looking for something traditionally Japanese there is the Imperial Palace, long the seat of the Tokugawa shoguns, now hidden behind a

Legend of the malevolent giant spider which is finally tracked down

moat and high ramparts; or the Meiji Shrine, which commemorates the Meiji Emperor who took their place in 1868.

The shrine is an imposing building, built in the middle of thick woods, with a ritual based on Shinto, the ancient religion of Japan. Today's Japanese are not in general very religious people, but in June, in particular, the woods are thronged by groups who have come to see the irises in flower.

In Ginza, a lively area in the centre of Tokyo, is the Kabukiza, the theatre for another Japanese tradition, Kabuki, a stylized form of acting and dancing. I saw two plays there. One, *Tsuchigumo*, dealt with a typically legendary story about a malevolent

giant spider which is eventually tracked down and killed. The other, *Meigetsu Hachiman* and *Mazari*, had a 19th-century theme: a countryman falls in love with a Tokyo geisha, is tricked by her and has his revenge.

For anyone visiting Japan for the first time, however, the Kyoto area, just over 300 miles from Tokyo, has to be a priority. Kyoto, now a middle-sized city, became the capital of Japan in 794 and remained the seat of the Emperor until the Meiji Restoration in 1868. Nara, 26 miles to the south of it, was the capital even earlier, from 710 to 784.

Both have magnificent temples, large and small, and innumerable works of art in them. In Nara, for instance, some of the buildings at the Horyuji temple are said to be the oldest surviving wooden structures in the world, dating back to the seventh century; while the bronze Buddha in the huge temple of Todaiji, cast in the eighth century, is 49ft high.

Kyoto at first sight is just another busy Japanese city. But it was deliberately spared allied bombing in the Second World War, and it is a city to linger in, with enough to occupy the careful sightseer for days, or even weeks, on end.

On the edge of the city is the Zen temple of Ryoanji, built at the foot of the hills and surrounded by woods, with a lake covered in water-lilies. Built in 1450, it is a perfectly peaceful place, and has the most famous of the Zen rock gardens, in which simple rocks stand in a sea of carefully raked grey shingle, providing matter for infinite meditation.

Peter Strafford

Fantasy with shocks on the modern stage

THEATRE

The recent trend of enterprising promoters bringing young Japanese theatre troupes to the Edinburgh Festival, London, Paris, New York and other leading world cities, shows that there is more to Japan's cultural life than Noh, Kabuki and Japanese actors in ginger wigs dreadingly going through the motions of Shakespeare and Shaw.

Japan has a vibrant contemporary theatre organized into troupes and known variously as the "little theatre movement", the avant-garde, or *angura* (underground), from its 1960s student origins. Apart from those groups that have hit the big time and gone commercial, most performances can be seen in small halls and makeshift premises.

Despite Japan's massive trade surpluses, contemporary arts receive no public subsidy (the state pitance is reserved for more traditional forms). Tokyo's scores of troupes earnestly giving their all, without pay, for a few performances a year to a small coterie of loyal followers, barely survive.

Members support themselves by part-time jobs. Any profit from performances is channelled back into the company savings account for the next production. Though the set-up may seem amateurish, the effort and commitment to achieving that perfect Japanese product undoubtedly qualify as professional.

While Japan's avant-garde theatre originated as one of protest, nowadays its character and audience have changed. Radical and impoverished 1960s students asserting a new-found national identity and mining their rich Japanese past for inspiration, have been replaced by today's materialistic youth, more interested in futuristic themes.

Happier with light entertainment, preferably coupled with a therapeutic letting-off of steam, today's modern theatre — audience and players alike in their late teens and early twenties — is for the young, by the young.

Pop, zap and bits of video

Nonetheless, much of the influence of the original 1960s survives in form, if not content. Reality mixed with layers of fantasy — nowadays often science-fiction — result in original plays that are colourful, fast-paced and athletic.

A kaleidoscope of ingenious stage effects and frozen tableaux recall variously pop art, the zap of the ubiquitous Japanese comics and the quick scene cuts of TV and video.

Super-eclectic and free of hang-ups about such western notions as logic or consistency, the possibilities for inventive, uniquely Japanese combinations are endless.

Michael Morris, theatre director at the ICA, the most usual London venue for visiting Japanese troupes, interprets this typical montage as a phenomenon of today's Tokyo city culture, where "a multitude of information is conveyed all at once by a bombardment of fragments — aural, visual, pop, cultural, sensual". The only city in the

world to assault the eye and ear with so many neon and electronic images, spell-out messages and sound effects — and to traverse 2,000 years of history in the blink of an eye — exerts a profound influence on today's contemporary theatre.

Plots jumping about in such alarming fashion, surrealistic images, daring mixes of time and space typify such troupes as Banyu in Ryokyo and Kishida Jimusho.

The all-female Aoi Tori, in addition, spice their fantastical plots with snappy humour. Social concerns feature in the work of groups such as the Noise troupe. They use videos not only to voice anxiety about Japanese society, with little concept of privacy, behaviour constantly under surveillance and the dehumanizing effects of high technology.

In the autumn, Europe will have the opportunity to see one of Tokyo's most important young troupes, Da San Erotica. Also rare in their focus on social and political themes, in Paris and elsewhere they will perform their *Japan Wars*, a futuristic condemnation of the mindlessness of war.

One of their most striking recent works, *The Last Frankenstein*, documented an all-too-real previous spate of teenage suicides in Japan. After ascents into surrealism and the grotesque, and scenes recalling the film, *The Exorcist*, the play ended on a sombre note.

Youth's style and hedonism

Along a desolate park swept by a howling gale, to music from Fauré's *Requiem* were ranged black-framed Buddhist photographs of the dead youngsters. The ending constituted a poignant message to Japan's youth from their contemporaries.

Serious social matters, however, are far from the minds of the Japanese troupe bound for this year's Edinburgh festival, Yumeno Minsha. There was much adolescent boisterousness and language comprehensible only to young fans in their most recent performance, *Akarui Boken* (The Light Adventure).

Based on a legend about a quest for El Dorado, the play typified not only their style, but the hedonism and carefree attitude of today's youth, about which Japan's older generation constantly frets.

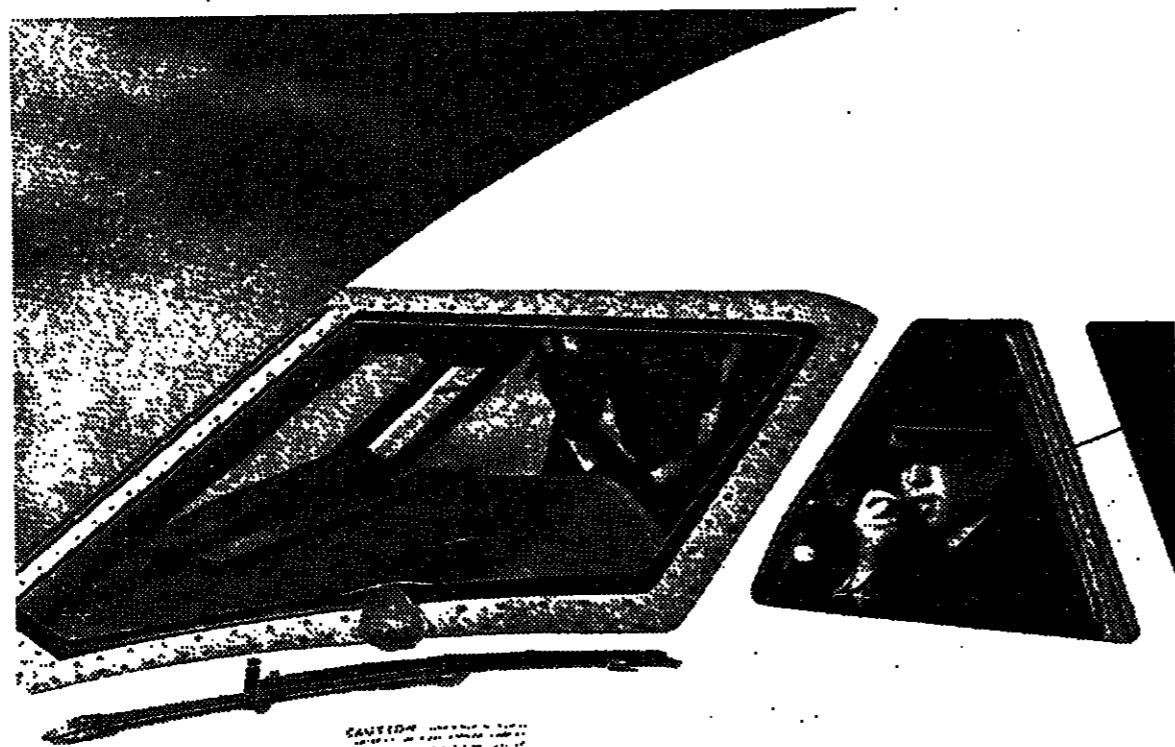
For their high-spirited revue-like atmosphere, Yumeno Minsha have become a cult, polled for several successive years as Tokyo's most popular troupe — so much so that 200 of their well-heeled fans will pay an astounding £2,000 to travel to Edinburgh to cheer on their idols.

Being supported by this affluent young set — termed *shinjiru*, new species, by demographers — and the ad-men who cater to their expensive tastes, has enabled Yumeno Minsha to "go commercial".

However, all is not lost. Some of the original 1960s troupes have only in recent years been discovered by the West and are now in great demand around the world.

Marie Myerscough

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